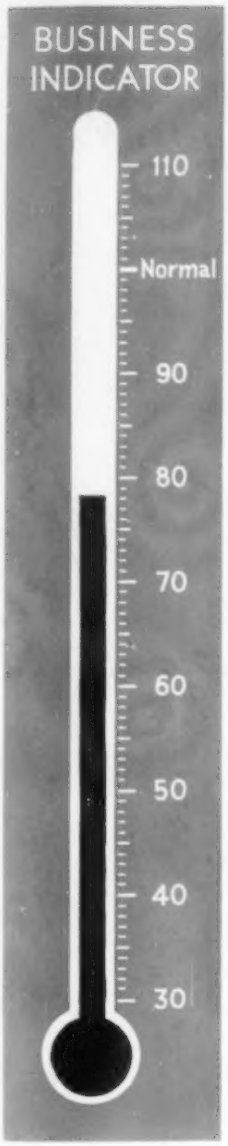
JUNE 17, 1931

THE BUSINESS WEEK



Early June measures of business movement show a slight intensification of the oncoming summer flatness in some lines . . . . But marked and mildly encouraging irregularities are developing in the picture at a time when a fairly uniform letdown might be expected under the prevailing pessimism . . . . Steel activity continues to sag under an accentuated seasonal slump in automotive requirements, though there is nothing abnormal about the decline in output and bookings except the low level from which the changes take place . . . . Building contracts, especially residential, seem to be weakening a little, along with power production; but carloadings are holding their seasonal level and coal output is higher. May department store sales did not continue to show their earlier strength . . . . The sustained high level of outstanding currency is probably not unconnected with continued weakness of confidence and local outbreaks of bank closings . . . . Nevertheless there is something impressive about the persistent failure of our index of general business activity to break through its resistance level at this stage . . . . The same is true of stock prices and commodities. The outlook for better wheat prices, in particular, is more promising . . . . European maneuvers in the direction of bringing the reparations, debt, and disarmament problems to a head by tying them together are encouraging, though actual accomplishment is not imminent and the difficult diplomatic discussions involved may be disturbing.

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What's In This Issue —And Why

Chequers

GERMANY'S efforts to get relief from reparations payments become the most important business news of the week. England is cool but friendly; France is hard and hostile; America shows first signs of a changing front. *(page 5)*

WHAT it all means to the American business man, how we got where we are and why, is set forth in a comprehensive review. *(page 7)*

Chicago

BANK mergers in the Loop, wholesale bank closings in outlying neighborhoods, should clean up a situation long whispered about. Real estate financing is largely to blame. *(page 8)*

Wages

RESENTMENT against rate-of-pay reduction continues; more strikes, more trouble, more empty envelopes. Meanwhile, some employers and some employees give each other a break. *(page 20)*

R.R. Rates

PRESSURE of hard times is reducing the railroad's rate raise plea to concrete figures—15%, but on what commodities and with what exemptions they may never agree. *(page 10)*

RAILROADS are on the right track; shippers should not block them. To save the railroads from bankruptcy or a labor war is more important to business recovery than are low freight rates. *(Editorial, page 44)*

Canada

THE new tax plans develop some interesting angles, particularly in their application to magazines and millionaires. *(page 30)*

Business Is Business

FRANCE has been buying more from the Soviets than she sold them. This, to the French, is an intolerable situation, and something is about to be done about it, Czarist debts or no. *(page 35)*

Retailing

THE bigger the store, the smaller the loss, according to recent surveys of department store sales in 1930. What profits there were came mainly from operating economies. *(page 11)*

Automobiles

WHAT will Ford do, seems the big question; certainly, with Chevrolet hitting on all six, he'll do something; the "8" rumors seemed spiked, for this year at least. *(page 14)*

Economic Allies

SEVEN southeastern states unite for economic progress, form a regional council to solve their common problems. *(page 16)*

Steel

IT wasn't the strike but the obsolescence which was the real reason behind the failure of Empire Steel. *(page 19)*

ONLY higher prices or modernization can save other mills from the same fate. Steel men decide modernization is quicker. *(page 19)*

Codes Decoded

THE Federal Trade Commission revised 80 trade practice codes last week. Trade associations viewed the remains this week, found them very dead, voted the noble experiment at an end. *(page 18)*

30c. Oil

THE wild East Texas price-slashing has contaminated the Mid-Continent field, may spread over the whole industry, to the despair of the independents, the conservationists, and the importers. *(page 24)*

Baker, Jr.

THE second generation of the great banking Bakers is now on its own. George F. Baker, Jr., is about to make his first big decision in his new position of prominence. *(page 27)*

Giving radio voices a good send-off

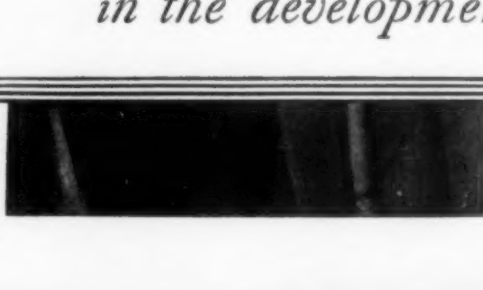
To put their broadcasts "on the air" in a way that will do full justice to the entertainers' art, leading stations use Western Electric equipment. Thus they safeguard their reputation and your enjoyment.

This Company's ability to make sound reproducing apparatus of outstanding quality and reliability is a natural outcome of its long experience in making Bell Telephones. The familiar microphone is the telephone's "little brother." This and many other radio developments have come from pioneering work in telephone research.

So, in providing equipment for broadcasting, for talking pictures, for voice amplification, for hearing aid, this organization keeps in step with changing needs. More and more the nation is getting its ideas through its ears, and in the field of sound Western Electric products occupy a commanding position.

Western Electric

Makers of your Bell telephone and leaders in the development of sound transmission



Western Electric Radio Telephone Broadcasting equipment is distributed by Graybar Electric Company.

THE BUSINESS WEEK

The Journal of Business News and Interpretation

News of the week ending June 13, 1931

Reparations and Debt Revision Take First Place in World News

Business eagerly studies reactions of national capitals to movement started at Chequers

Foremost in the week's business and economic news are the conversations between the British and German premiers at Chequers.... There Germany's problems and the question of her ability to pay reparations were laid before the British government, indirectly before the world.... Coincidentally, final staggering tax and economy burdens were laid on the German people in a dramatic attempt to balance the budget.

Our London correspondent notes that Britain is not at all certain of what occurred at Chequers, despite voluminous writings on the subject, but notes that Britain is unwilling to accept Germany's theory that reparation payments are the prime cause of depression.... Berlin emphasizes its contention that Germany is near the breaking point, that unless immediate aid is forthcoming a more radically anti-reparationist government is likely to come into power. ... Washington shows signs of a momentous change of attitude.... Paris doesn't like motions toward Young plan revision, holds them unnecessary; resents attempts to force disarmament through debts.

The reparations question leads directly to the allied debt problem. ... Jointly they vitally and fundamentally affect international trade, domestic business in all countries, taxation, the gold problem, and international and national money and credit conditions.

Britain Won't Blame It All on Reparations

LONDON (*Radio*)—The secrecy surrounding the Chequers conversations between British and German government leaders this week baffles London opinion. It is believed that William Graham, president of the Board of Trade, took the opportunity to point out British difficulties to the visitors, a move approved by all parties.

The meeting is generally regarded as an attempt by Germany to escape her reparations burden on the plea that these payments are the prime cause of the depression. The British refuse to accept this theory unreservedly. No concrete proposal for suspension of reparation payments emerged, but the whole drift of the talk was Germany's inability to go on.

Henderson, Britain's Foreign Minister, is expected to visit Berlin for further exploration of Germany's position, as the public will resent scaling down of payments unless assured that every effort has been made to examine the soundness of Germany's plea. The reception of the German visitors was ostensibly friendly but not enthusiastic.

Germany Maneuvering For a World Conference

BERLIN (*Cable*)—The significance of the Chequers conversations is that they started the reparations revision stone rolling internationally. Despite Premier MacDonald's statement to the contrary, Germany still hopes that Britain, after the reciprocal visit to Berlin, will back the calling of an international conference to study the problem.

Underwood & Underwood

"CHEQUERS"—*The official country residence of Britain's Prime Minister takes its name from an early occupant, clerk to the Exchequer under Henry II. It was given to the nation by Lord and Lady Lee, together with provision for a staff of servants and a "residential allowance" so that its new occupants might entertain properly, even though dependent on their salaries. Behind these guarded doors, Prime Minister MacDonald, Foreign Secretary Henderson, Chancellor Bruening and Foreign Minister Dr. Curtius debated 20th century problems in 16th century surroundings*

Of the two possible procedures for a moratorium—through the Young plan machinery or through independent general revision—Germany decidedly favors the latter.

Meantime Germany, near the breaking point under the new burdens imposed by the emergency decree, is becoming a danger zone in world economy. If international revision fails to materialize soon, Premier Bruening will reluctantly take recourse to a moratorium on reparations; but German opinion emphatically condemns the tactless and incorrect newspaper statement on the eve of the Chequers conference that the nation is contemplating a moratorium on the service on private foreign debts. The statement apparently was intended to intimidate the United States. Its only effect was a detrimental one on German credit.

Reparations reactions in Germany have entered a new stage; under the pressure of Hitlerite and other propaganda, psychological resistance to payment is an even greater factor than financial inability to pay. Bruening's position is difficult, with the public demanding early tangible results, failing which he may have to cede his office to a more radical anti-reparationist—with all of the consequences to German finance and credit.

Germany is convinced of the key position of the United States and therefore attaches exaggerated hopes to Secretary Stimson's European visit.

Washington Shows Signs Of a Change in Heart

WASHINGTON (*Special Correspondence*)—Considerable sympathy for Germany's plight can be found in Washington, but no official comment. More significant than the sympathy are signs of a momentous change of Washington's attitude toward the whole international debt question, though it is yet too early to determine whether this will survive strong political opposition.

Heretofore, Washington has been adamant in its stand that the allied debts to us were obligations unconnected in any way with German reparations. Now becomes apparent a growing tendency to admit a connection between the amount the erstwhile Allies collect from Germany and the amount they pay us. Some close observers see a possibility for reconsideration of the whole allied indebtedness.

But this cannot be expected until after the 1932 election at the earliest; cannot be hoped for under the present administration, unless European governments are willing to cut down military expenditures, disarmament being the international marching song of the Hoover administration.

Wide World

MELVIN A. TRAYLOR—*The president of Chicago's First National, now the country's fourth largest bank (page 9)*

French Are Sitting Tight on Young Plan

PARIS (*Radio*)—French public opinion is angered at some results of the German visit to England, may have to be mollified before material progress can be made toward settlement.

France concedes Germany's right to declare a 2-year moratorium under the Young plan. But the government is strongly opposed to any revision of the Young plan, holding Germany is fully able to abide under the settlement. And Briand, reflecting majority sentiment in the country, has repeatedly stated, and used it as an argument when he was questioned recently in the Chamber, that Germany has a "way out"—referring to the moratorium provision—if necessity arises.

Paris is even more angered at the American attempt to use war debts as a wedge to force disarmament, which she believes would decrease her sacred "security."

German Emergency Decree Is Dramatic Signal of Distress

EUROPEAN NEWS BUREAU (*Cable*)—To unsympathetic outsiders, Germany's Emergency Decree of June 6 was a cleverly staged spectacle.

To Germans, the decree and its stipulations, aimed to save \$430 millions for the national budget, are too drastic to be dramatic. Government workers, for example, are forced for the third time within a year to accept salary cuts, which now total from 11% to 15%. Salaries of only \$750 a year are taxed a fresh 4% in the new move. Cabinet Ministers take a 30% reduction.

Then there is the new "crisis tax" designed to enable the government to provide those unemployed who are no longer entitled to insurance—after 26 weeks without employment—with the barest necessities of life. To help the government raise the \$100 millions necessary, fixed-wage earners must pay 1% on incomes under \$60 monthly, and up to 4% on salaries of \$375.

Even the dole-supported get a cut of 5% in their allowance.

Taxpayers are particularly affected by the doubling of the sugar tax and the increase in the import duty on crude oil and gasoline by 70%. This is equivalent to a \$20-million yearly super-toll on the community. Domestic production, however, is not included in this increase so gets new protection.

There is in the move one immediate effort on the part of the government to aid business. From the expected receipts, \$50 millions are to go to the Federal Railways for placing orders and for large modernization projects. In Berlin, it is expected that these orders will give employment for 6 months to 120,000 men in the steel mills, and move appreciable quantities of the coal stores at Ruhr pitheads.

Whether or not the world is brought to a definite consideration of reparations revision or postponement in coming months, people who are intimately informed on German conditions believe that there must be some recognition that Germany has reached a crisis.

Change in Reparations to Affect American Business Many Ways

ANY change in the German reparations payments will have immediate effects upon business in the United States.

(1) It will help check the draining of gold from nations that cannot spare it. This would help steady prices.

(2) It will improve foreign buying power.

(3) It may increase taxation.

(4) Its immediate effect is to depress German securities, cause flight of capital from Germany.

(5) Its ultimate effect will be to help German credit, and the recovery of business.

Young Plan Omissions

Reparations represent the monetary costs assessed against Germany for losing the World War. The Dawes plan modified these, brought stability to a pauperized and helpless Germany. But this plan was indefinite, its burdens too heavy. The Young plan reduced the burden to $475 millions a year, set definite obligations, ended foreign control.

Two little provisions in the Dawes plan were omitted in the Young plan—2 rather irrelevant-looking little provisions which now are making world history. One provided for automatic revision of reparations with every 10% drop in commodity price level. The other provided revision automatically with fluctuations in business activity. One was omitted because the Allies didn't have the benefit of it in their debts to America, the other because Germany feared higher reparations with growing prosperity.

Business slumped and prices fell, increasing the value of money in which Germany must pay. The Reich spectacularly cut imports and increased exports, creating a balance to be used in paying reparations, but also hurting the foreign trade of other nations. Prices fell further. Then the world increased tariffs, further cutting her exports.

The United States quit lending Germany money. The billions we lent from 1924 to 1928 provided money to pay the bill—with some left over to spend foolishly. Repaying those loans is another and a separate headache.

So Germany's means of obtaining funds disappeared. Meantime the 30% price drop increased the value of her obligations by 30%, making the $475 millions amount to more than the old Dawes annuities from which the Young plan was supposed to relieve her. Now she is virtually paying out of capital.

Matter of Necessity

Germany's move is motivated by dire necessity, the permanence of which, however, is in dispute. The government's income has been drastically cut by depression. Successive reductions in expenses have brought down government costs—but not enough. Successive tax increases burden the people and business almost intolerably.

Now, says Germany, taxes can not be raised higher without driving business and money out of the country and no more expense cuts can be made. So relief seems imperative if the country—already restless under the burdens—is not to get a new government, possibly even go Communist, in which case no debts would be collectible.

Such a picture frightens money. Many millions have been withdrawn from Germany by investors. This has depressed the mark so badly that the Reichsbank has had to aid it. Some ill-spared gold was lost, as it has become cheaper to ship gold than to buy foreign currencies. Many investors are selling German securities.

2 Courses Open

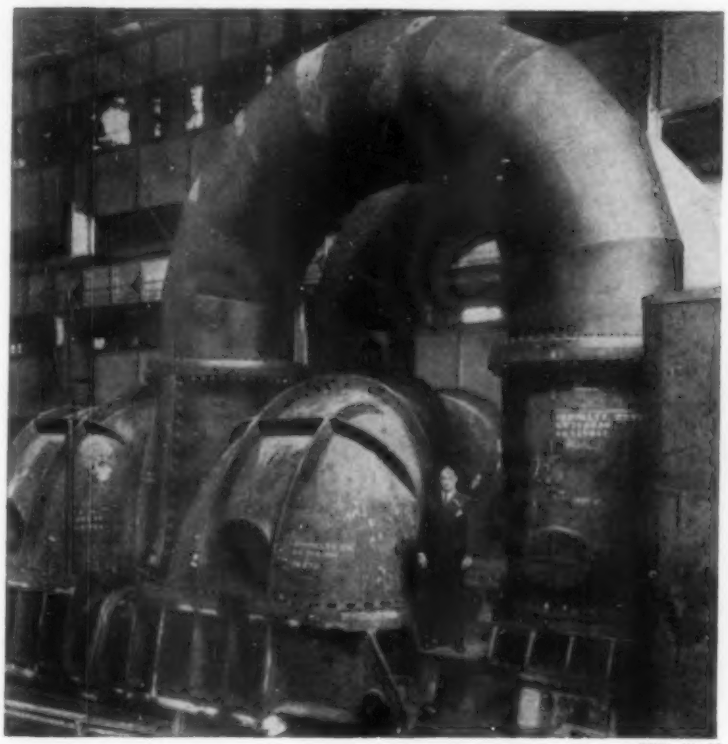
Two courses are open to Germany. The Young plan permits her to postpone payment of about two-thirds of the $475 millions for not more than 2 years by giving 90 days' notice. But this postponement is only of payments. Since collection must continue, the burden on business would remain. The only relief would be that the country would not be drained of money.

Germany feels that this wouldn't help much, that revision of the whole Young plan is necessary.

To get an international conference together and then to get it to work harmoniously will take time. Signs now indicate that Germany will be forced to a moratorium for immediate relief.

Assuming that Germany does not collapse, it doesn't matter much which course is taken, because ultimate revision seems altogether likely, anyway. Postponement will simply gain time to make arrangements. If Germany once stops paying it is highly improbable she ever will start again on the same scale.

Any letdown in reparation payments



Wide World

MORE POWER FOR BROOKLYN—*The giant turbo-generator for the Hudson Ave. station. On the knee of this king of the kilowatts stands Matthew S. Sloan, president of the New York Edison and associated companies*

should strengthen private securities, for the less paid on reparation debts, the more will be available for other debts. Money's fear is not of reparation postponements or moratorium or revision, but that one of these will not come soon enough. If too late, no German debts will be good. Some fear also has arisen from a misunderstanding of Germany's request. She wants relief only from reparations, has no thought of postponing payment of private debts.

American bankers have such large short term acceptance credits in Germany that only refunding through bond issues can bring payment. Perhaps a letdown in reparations might strengthen Germany's credit sufficiently to permit long term borrowing.

Effect on War Debts

Once Germany postpones reparations, most of the countries now paying the United States war debts will stop. For, of the 11 nations receiving reparations, 6—England, France, Belgium, Poland, Italy and Roumania—depend on German reparations for funds to pay America. All have the same right to a moratorium on their payments that Germany has on reparations. Once payments are stopped, resumption on this scale is unlikely.

These debt payments account for 4% to 5% of our government's income. Stoppage would necessitate raising those funds from taxation. Much the same situation exists elsewhere except in England.

England, the only other nation receiving war debts, stands by the Balfour principle of collecting only what she must pay America, so her budget is unaffected.

Washington's Change

Facing the facts, Washington is showing its first signs of willingness to reconsider war debts. Many in Washington reason that savings from disarmament in all countries could and should be used to offset lower reparation payments. The administration considers tying reparations to debts and armaments and trying to throw them all overboard. France objects. Political necessities will probably prevent moves until after 1932.

The steady gold flow to America and France for the past 2½ years has deprived many nations of enough funds to do business. Reparations and war debts are important items in these international payments, are not business items, and being arbitrary, do not diminish with slackening trade. Downward revision, then, would help to prevent credit strangulation of business. Both France and the United States have a real interest in checking gold accumulations.

Relief from this credit strangulation would benefit business. Leaving purchasing power abroad would permit foreigners to buy more goods from America.

The situation is not the sole cause of depression. Revision would not be a cure-all. But it would help.

The Insurance Companies Debate a Dividend Cut

MANY life insurance policyholders in mutual companies are likely to receive lower dividends on their policies next year. All companies are seriously considering the dividend question: a few have advised their agents of contemplated action, others are awaiting more 1931 experience. Stock companies are discussing dividend cuts on their stocks.

A higher mortality rate among insured individuals—especially big policyholders—unsatisfactory results in mortgage loans, low money rates, and depressed security prices are principal factors combining against policyholders and stockholders.

Insurance companies have suffered in the depression just as have other businesses, but have been able to delay longer in passing their troubles along. The expected rather general changes will be the first of any wide scope in more than 5 years.

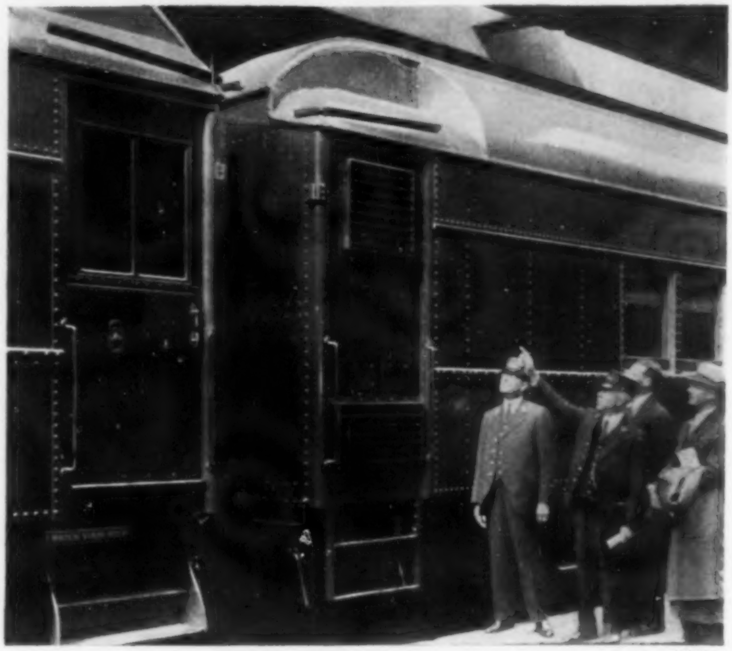
New Wall Linoleum Taps Broader Market

LINOLEUM, traditionally a floor covering, now is climbing the walls. Congoleum-Nairn is in production on kitchen and bathroom wall patterns. Patterns for living, dining, and hall rooms are being developed.

In the kitchen and bathroom, the new linoleum invades a market long dominated by tile. The wall covering equals "B" gauge linoleum, is inlaid on burlap base, is cemented or glued on. It costs about half as much as tile, applied. It is brightly colored, easily cleaned, unbreakable, easily cut, removed, reapplied in case of plumbing repairs.

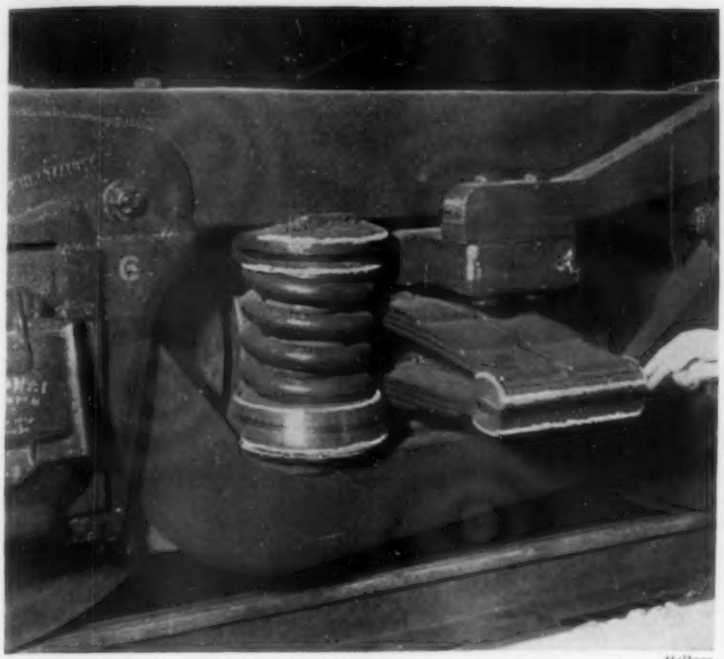
Plumbers plan to push sales, believing the cost of tile has prevented the modernization of many bathrooms. Department stores are equipping display rooms to show linoleum on walls.

Distribution will be through usual trade channels. Sales potential is high, the makers believe, pointing out that a room has just one floor, but 4 walls.



Halloran

THE WEATHER-PROOF TRAIN—*Hot or cold, the passengers on the B.&O.'s "Columbian" will go out in comfort. Closing one entrance in each car provides space for the air-conditioning equipment, which has its own power plant. Windows are locked, thermostats control the temperature*



Halbran

RUBBER HEELS FOR THE COLUMBIAN—*Vibration and noise are reduced on the air-conditioned train by rubber inserts, outlined here in chalk*

Chicago Bank Mergers Help Clear the Way to Recovery

One more situation that gave the bears something to whisper about is cleaned up

ONE of the big threats behind the deep-dyed pessimism and the stock market declines of the past 3 months is now out of the way. The Chicago bank situation is cleaned up.

Foreman-State and National Bank of the Republic, concerning which whispers and rumors have been in circulation from coast to coast, are no longer. Foreman-State has passed out of the picture entirely, absorbed by First National. Republic has merged with Central Trust, the Dawes bank, to make Central Republic Bank and Trust Co., a $350-million institution, third in the city.

Central Trust on Top

While this merger comes close, to being on a 50-50 basis, Central Trust is coming out on top. Its stock went up in price the next day; Republic stock, $20 par, dropped from around $40 to near $30. It was once over $250.

Chicago now has the fourth and fifth largest banks in the country—Continental Illinois with resources about $125 millions over the billion mark, and First National with resources about the same amount under.

Foreman-State, Central Trust, and Republic are the 3 Chicago banks that went in for group banking by buying into outlying banks. Continental and First National didn't. Neither did Harris Trust and Northern Trust, the well-managed and conservative institutions that formerly held sixth and seventh places, but are now fourth and fifth.

Too rapid expansion caused much of the trouble. A willingness to take chances to get business contributed. Real estate loans bulk large in the picture. Foreman-State has been a large real estate lender, as have practically all neighborhood banks included in the sponsored chains.

Two magnificent new bank buildings on La Salle Street, carried on the Foreman-State balance sheet at $12,400,000, are symbolic. Both are vacant now. One, the State Bank building, was vacated soon after it was built, when the Foreman-State merger took place. The other, the new Foreman-State building, was vacated Monday night following the new merger.

A third empty La Salle street bank building is that formerly occupied by National Bank of the Republic. Two other spectres also stand in Chicago's Loop.

La Salle Street, Wall Street of the Middle West, now has only 3 big banks left. First National and Harris Trust are located a block or two east of the main thoroughfare.

The Week's Closings

The outlying bank situation in Chicago continues critical, though it is mostly of local rather than national significance. Downtown banks will see the better ones through, let the others go. Twenty-seven closed in 4 days this week; 42 have closed since Jan. 1.

A slow run which has been going on now for many months has cut deposits often more than half. Banks that once boasted $10 or $12 millions have dwindled to $4 or $5 millions. Savings deposits in downtown banks have mounted by the millions at the same time those in outlying institutions have dwindled.

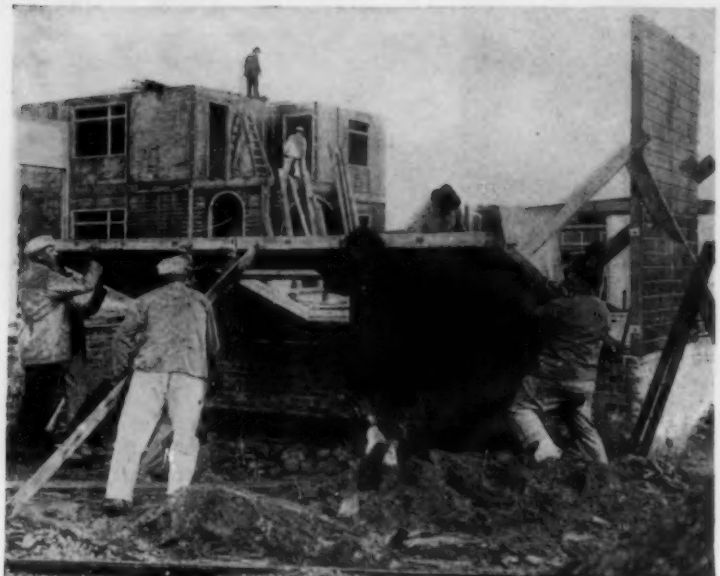
Chicago business is under a severe strain resulting from the closings this week due to changed credit status of wary customers. Confusion resulted from checks of doubtful banks being in circulation and checks of closed banks being protested.

Melvin A. Traylor, president of First National, one of the few real leaders in banking today, emerges from the deal a considerably more powerful man. Fredrick H. Rawson, conservative, balanced, reliable financier, who only a few years ago presided over Union Trust Co. with less than $100 millions, now finds himself on top of an institution 10 times as great.

Executive Changes

The fitting together of the executive personnel of Central Trust, the Dawes bank, and National Bank of the Republic, in which George Woodruff has been the leading spirit, is watched with interest. Mr. Woodruff, ill since the first of the year, is reported to be out. His statement of two years ago, "Hold your horses; the elephants are coming," was prophetic.

It is believed that there will be fewer "admirals" in the merged bank. National Bank of the Republic, following several sizeable mergers, acquired an impressive list of official titles. Its



Underwood & Underwood

QUICK CONSTRUCTION—*Raising the copper-clad walls of a ready-cut house in Germany. Large factory-made units reduce labor costs, speed up erection, require but little future maintenance*

statement shows 6 officers ranking above the president: a chairman and two vice-chairmen of the board; a chairman and two vice-chairmen of the executive committee. The Dawes Bank, with 3 fewer vice-chairmen, still has 4 officers above the president, including 1 that Republic does not have, an honorary chairman, the present ambassador to Great Britain, Brig.-Gen. Charles G. Dawes. It seems hardly likely that a merger can fail to demote some officials. To find titles for all would impose quite a strain on the English language. A new leader or two may be brought in.

Industries Read Funeral Service Over 80 Trade Practice Codes

THE trade practice code method of regulating industry under the sponsorship of the Federal Trade Commission appears to be all washed out. Impressed by the futility of further remonstrance against the commission's activities in devitalizing codes, industries using them have decided to abandon, as a group, all attempts to obtain satisfactory revisions; to rely upon the Department of Justice for relief from unfair competition.

Break Off Negotiations

This drastic decision followed the return last week of 80 codes which the commission has extensively revised in a way which industries believe makes them useless except as a restatement of existing laws affecting business. In Washington, Tuesday, a group of trade association executives and attorneys adopted a resolution deploring the action of the commission in adhering to the extreme revisions of codes and recommended that the Congress of Industries discontinue its efforts to obtain favorable consideration from the commission. It advised the congress to recommend that individual industries continue their efforts to elevate business standards with or without the cooperation of the commission as each industry may elect.

Particular criticism was voiced at certain revisions which deleted rules covering practices that have long been recognized by the courts. The commission refused to recognize the use of a base price list, for example. Quotation of prices as so much "off list" has long been a customary practice upheld in the courts and accepted by the Department of Justice. The commission struck out rules which, in specific terms, purposed to prevent price discrimination as defined in the Clayton Act. One such deleted rule condemned any departure from terms and discounts that would result in discrimination between customers of the same class or who buy in the same quantities. In another deletion the commission apparently denied that there is any discrimination in the sale to some customers of less than carload lots of merchandise at carload prices.

Common to all codes is a rule against inducing breach of contract. This has long been recognized as an unfair practice but, as revised by the commission, the attempt to induce breach of contract must be "malicious" to be unfair trade practice.

Railroads Agree to Ask 15% Rise in Freight Rates

AFTER long discussion and sedulous fingering of the public pulse, the railroads are getting ready to substitute concrete figures for the abstract principles on which they have been basing their appeal for an increase in freight rates. After many conferences leading up to Thursday's meeting of Eastern and Southern executives in New York they are closer to an agreement on what these figures should be.

Eastern roads are in better shape to present a concrete plan than Western ones. R. N. Collier, chairman of the Trunk Line Association, put such a plan into words and figures when he told traffic officials of 23 Southern roads meeting at Washington Tuesday that they had agreed in principle to ask the I.C.C. for authority to increase the rates by 15%, themselves electing what products shall bear the increases. Thursday's meeting voted to ask this advance.

May File Exemptions

Anticipating commission objections to such broad discretion in rate-raising, the roads may seek agreement among themselves on commodities to be exempted from increases and file their list of exemptions with their petition.

Transportation men agree that if the railroads have agreed to sink or swim together they have already accomplished a good deal; are not optimistic about the possibility of agreement on commodities to get the increases or the amount of such increases; are afraid the I.C.C. will protract hearings in hope of a return of prosperity. From 15% increases they estimate a 10% gain in earnings.

Only the Big Department Stores Started 1931 With a Profit

DEPARTMENT store operation during 1930 shows widely varying results, but little profit, according to surveys made by the Bureau of Business Research of Harvard University and the Controllers Congress for the National Retail Dry Goods Association.

The Harvard report reflects the performance of 649 stores. A group of 245 that did less than $\$\frac{1}{2}$ million in sales showed a net operating loss of 3.2%; 168 with $\$\frac{1}{2}$ million to \$2 millions sales averaged 1.8% operating loss; 151 stores with sales of over \$2 millions averaged 0.5% loss. Only a small group with annual sales volume of over \$10 millions shows a profit, averaging 0.1%. The 85 specialty stores included in the survey took a loss of 1.1%.

Penny Saved

Interesting is the fact that the profit of 0.1% recorded by the 30 stores with annual sales volume of over \$10 millions actually represents the saving in operating expense they were able to accomplish. Smaller stores show expenses of 34.1%, while those 30 large ones did business on but 34%.

The entire group, with total sales volume of nearly $\$1\frac{3}{4}$ billions, records expenses 2.2% higher than 1929, while average operating losses jumped from 0.7% in 1929 to 3.2% in 1930. Through income from other sources the loss is cut to 0.3%.

For the entire group returns and allowances as well as markdowns rose to the highest level since 1927, while a slight increase in turnover is recorded by stores doing over $\$\frac{1}{2}$ million.

· The study by the Controllers Congress shows operating profits for 2 classes only. Stores doing \$5 to \$10 millions made 0.7%, and stores doing over \$10 millions 0.5%.

Performance Data

Valuable data on performance of individual departments is presented. Stores are separated in 5 groups according to size. Notions, toilet articles, beauty parlors, show a profit in all groups; so do departments selling such accessories as gloves, hosiery, underwear, millinery. Other departments show many variations, but the 2 groups with large sales volume recording an operating profit also have by far the largest number of departments on a profit basis.

Substantially, departments handling quick-turnover merchandise fared best, obviously because they could adjust operations rapidly to declining wholesale prices.

In contrast is the performance of departments in the house-furnishing group. Here all stores show losses averaging 6.4%, ranging up to 19.2%. Furniture, rugs, floor coverings, draperies, lamps, and chinaware account for 15% to 20% of total sales volume of department stores. The merchandise demands much floor space, higher than average expense in handling, yet has a slower turnover. Normally markup is higher to allow for this, but during 1930 much of that advantage was dissipated in eventual markdowns.

Similarly, in departments handling apparel, 25% to 30% of the initial markup was frequently sacrificed in final markdowns.

Canada Dry Enters The Big Bottle Market

WITH its new family-size 25¢ bottle, Canada Dry, Inc., is invading a field in which economy has a special appeal, and one that up to now has been undeveloped by makers of nationally distributed brands.

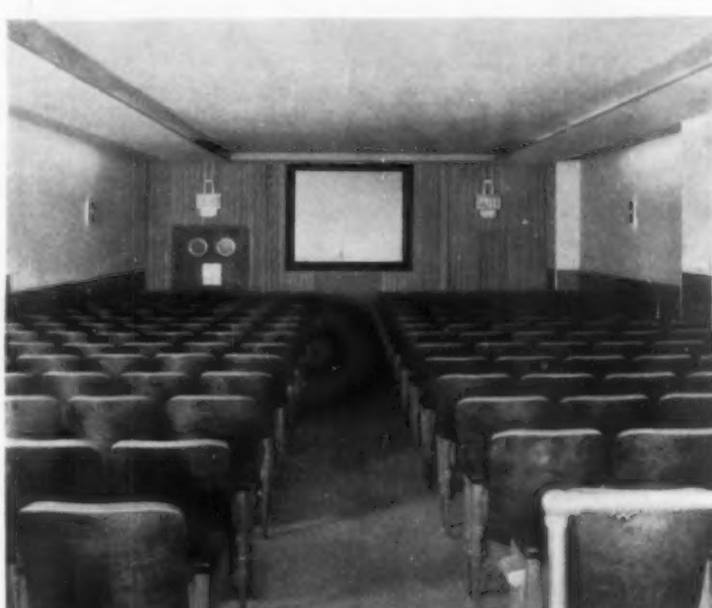
Formerly, high class beverages, nationally distributed, were supplied in but 2 sizes of bottles, the regular so-called "pint" size holding 12 to 16 oz., retailing at 15¢ to 25¢, and the one-glass "splits" made popular by the coming of prohibition.

For serving more people, for "parties," users of national brand pints have taken to the larger bottle. The thrift of depression has had its way. Local bottlers, some long-established, have long been supplying this demand. Even chain stores and local wholesale grocers have offered their private brands of beverages which have also affected the sales of national brands.

Local Operations

These local manufacturers offer a 28- to 32-oz. bottle to retail at 20¢ to 30¢, of which the dealer refunds 2¢ to 5¢ upon return of the empty bottle. They generally limit operations to territory conveniently served direct from plant to retailer.

In recent years, the product of these local bottlers has been steadily improved as national brands have educated the public taste. With the advent of "pale dry" ginger ale, the more progressive ones promptly brought out a good quality pale dry of their own. Meanwhile, better roads and faster truck service extended the radius of operation, until



Acme

AUTOMAT MOVIES—*One of the twin Translux houses on Broadway, where the film is projected through the screen from behind. In these small, short-show theaters, subway turnstiles, at 25¢, replace gold-braided doormen. One theater shows short-subjects, the other newsreels*

some now serve very large sections, and account for a substantial volume of business.

Canada Dry in 1928 bought out a New York local bottler, started to go after some of the volume on large size bottles through this subsidiary, G. B. Seely's Sons, Inc.

This experiment is now extended to national distribution of a 28 oz. family size bottle to retail for 25¢, carrying the regular Canada Dry label. Its advantage is increased by the fact that even on the large sizes no deposit on bottles is required. Originally Canada Dry followed the policy of local bottlers, offered the bottle-return privilege, re-used the bottles. However, it was found that frequently bottles so returned were chipped, dirty, otherwise unfit for use. The return privilege was discontinued; only new bottles are used at the plant.

June Furniture Show Encourages the Industry

MARKED improvement in style and design of moderate-priced furniture is the outstanding feature of summer shows which closed this week in Chicago and Grand Rapids. "The one thing the depression has done for us" is the comment of R. R. Rau, executive of National Retail Furniture Association.

Buying was satisfactory—not heavy, but distinctly better than was expected. "Close-outs"—distress stocks offered by manufacturers to retailers at cut rates—were noticeably absent. Furniture manufacturing is now in stronger hands. More value is being built into merchandise. Prices are tending to stabilize at present levels which, while low, make possible moderate profits for the better-managed units.

Up and Out

There are indications that furniture, one of the first big industries to get into deep depression, is definitely on the way out.

A mistake was made this year in holding the midsummer show in June, a month when retailers are busy selling to June brides. The object was to compromise between May and July showings. It won't happen again. Hereafter shows will begin the first Monday in January and the first Monday after the 4th of July, lasting 2 weeks each.

Furniture retailers believe crops are destined to be a big factor in business this year.

Rotofoto

"KEEP IN LINE"—*There'll be no cutting in and out on the upper level of the Queensborough Bridge, New York. Traffic rolls in concrete grooves, between curbs high enough to work, low enough to be safe*

Commerce Dept. Goes On a Chautauqua Circuit

UNABLE to meet the demand for its services from manufacturers and merchants through individual contact, the Department of Commerce is reviving this summer the Chautauqua idea for the mass distribution of information on merchandising problems. Group meetings of manufacturers, wholesalers, and retailers will be arranged for systematic study of their particular problems. Information provided by the department's marketing service division on common national experience in handling these problems will be analyzed.

The plan has already been applied in Indianapolis, Dallas, Kansas City, and Chicago. Nine other cities are seeking the department's cooperation. The Retail Clothiers & Furnishers Association of Michigan, the American National Retail Jewelers' Association, and other trade associations are investigating this method of assisting their members in solving merchandising problems.

Cremo Advertising Leaves Them Cold—And Hot

GEORGE W. HILL, dynamic president of American Tobacco Co. and its subsidiary, American Cigar Co., believes in the shock attack to gain public attention. But his no-spit campaign to promote the sale of Cremo cigars leaves the reorganized Association of Cigar Manufacturers and Leaf Dealers cold, except when they wax hot in denunciation of it.

Its members in convention assembled have just proclaimed their conviction that it is driving cigar smokers, not to Cremos, but to cigarettes. Mr. Hill sells Lucky Strikes, too.

On the assertion that most of the popular brands of cigars, including Cremo, are made on the same type of machine, all without benefit of expectoration, they have resolved to ask the Federal Trade Commission to declare Cremo advertising untrue, unwarranted and in restraint of fair competition.

Meanwhile, without a bow to Camel's $50,000 effort, the opportunistic Mr. Hill has decided to capitalize present public interest in slogan prize contests. Until further notice he will give a daily automobile for the day's best 20-word slogan on Cremo cigars written on Cremo cigar bands, one word to a band.

Cremo May sales topped 1930 totals by 100%; first 5-month 1931 sales exceeded those for the same period of 1930 by 150%.

Wide World

BREECH-LOADER—*One of 23 buses built by the Fageol Co. for the Pacific Electric Railway Co., Los Angeles. Pushing a button rolls out the whole motor assembly for easy access and testing. The entire engine can be changed in a few minutes, avoiding road delays, saving shop space*

Detroit Talks of "Edison 8's" —Fords in 2 New Price Classes

But sets their debut for 1932 with changes in Model A as first move toward a comeback

WITH Chevrolet continuing to give Ford a run for his money Detroit interest continues to center on what the River Rouge genius will do. In May Chevrolet produced nearly 12,000 more cars than Ford, second time this year it has led in output. During the first 5 months, total Chevrolet output was 437,000 compared with only 459,000 for Ford. Chevrolet's proportion of total production for the 5 months has been 31% against 23% for the same period last year. Ford's has dropped from 42% last year to 33% in 1931.

Mr. Ford's Move

That Mr. Ford will make drastic attempts to improve his position is agreed, but there is little agreement among the prophets as to just what form they will take.

The most persistent rumor calls for an 8-cylinder car to be priced somewhere around $1,000 and offered in addition to a newly revamped and probably lower priced Model A. Parts for such an 8 have been produced at the River Rouge plant and by outside sources. Ostensibly they have been destined for shipment to Soviet Russia, Germany, and other distant points. Actually, they are believed to be not far from the Highland Park plant where the new 8 is expected to be built.

The latest report is, however, that there will be no Ford 8 this summer or fall, that engineering difficulties have developed which make a postponement until 1932 advisable. Ford has laid off several thousand men working on the motor assembly line, not operating at present, but the explanation given for this is that large banks of parts for the Model A have been built up, far enough above normal requirements to make them last until the changes in Model A are completed. Assembly plants also have amassed heavy stocks of Model A parts in anticipation of a shutdown while the change is in progress.

Anticipated changes on the Model A include a longer wheelbase, lengthwise instead of crosswise springs, rear-located gasoline tank, general improvement of appearance and riding qualities. The new 8 is expected to have a V-type engine and there is some talk that it may be marketed through Lincoln dealers.

A Double Play?

However, Detroit rises to this with a report that there will be two 8's; that the River Rouge plant will turn out an $800 one to be sold by Ford dealers, Highland Park a $1,200 one for Lincoln dealers.

The industry wonders whether Ford will ignore history's evidence as to the difficulty of promoting a low-priced car to a higher price class, stick to "Ford" as the name of his 8 or 8's—or bury the connotations of "tin lizzie" days under some new name. "Edison" is confidently expected if he chooses the latter course.

RCA vs. Radio Commission Not a Case in Simple Logic

THE RCA group has started a fight for its existence as a radio broadcasting enterprise with a salvo of petitions for injunctions to restrain the Federal Radio Commission from denying licenses to any of its broadcasting units—National Broadcasting Co., RCA Communications, Radiomarine Corp., RCA–Victor Co.

Trouble arises over Sec. 13 of the Federal Radio Act, which forbids licensing authorities to grant a broadcasting license to anyone found guilty of violating the anti-trust laws. Last February the United States District Court of Delaware, in a suit brought by DeForest Radio Corp., found Radio Corp. of America guilty of violating Sec. 3 of the Clayton Act (*BW—Feb25'31*). The U. S. Circuit Court of Appeals upheld the decision and the Supreme Court refused to review it. The Radio Commission thereupon held up all renewals of broadcasting licenses to RCA subsidiaries pending a June 15 hearing on the effect of the Delaware court's judgment upon the application of the restrictive clause in the Radio Act.

A Quick Test

RCA says it asks the injunctions only to expedite a test of the application of Sec. 13 of the Radio Act to the situation and to determine its constitutionality. Independent hearings on the more than 1,400 broadcasting licenses affected

would set a long and tedious task; under the injunction procedure the entire question can be disposed of in one hearing.

Logical laymen who have read the Radio Act and know of RCA's adjudged guilt under the Clayton Act, may see no recourse for the Radio Commission but to refuse licenses to all RCA subsidiaries. The RCA group finds the case not so simple. It maintains that the restrictive clause in the Radio Act has no application to a case of the kind decided against it; that to deny it licenses would strike down a national and international broadcasting experiment of incomparable value to the public; that the penalties of such a denial would be greatly disproportionate to the offense; that to compel the companies to abandon their business in this way would be a violation of the 5th Amendment to the Constitution.

Southeast's Regional Council Plans Economic Conference

ORGANIZATION of the Southeastern Council to promote the coordinated development of the economic area formed by 7 Southeastern states, was finally completed at Atlanta, Ga., June 4 and 5.

Seven states, Alabama, Florida, Georgia, North Carolina, South Carolina, Virginia, and Tennessee were represented by prominent industrialists, bankers, educators, most of them appointed as special representatives of their governors.

Progress of the movement during the last year was reviewed, a definite program for future procedure agreed upon. Emphasis was laid on the fact that general business conditions, economic changes, the new demands expected with business recovery, all accentuate the need for regional unity.

The constitution formally adopted at this session resembles in many respects that of the New England Council, which has practised regional cooperation so successfully for the last 6 years (*BW—Jan.22'30*). It sets up definite machinery to coordinate the activities of all business and professional groups in contribution to the economic progress of the region.

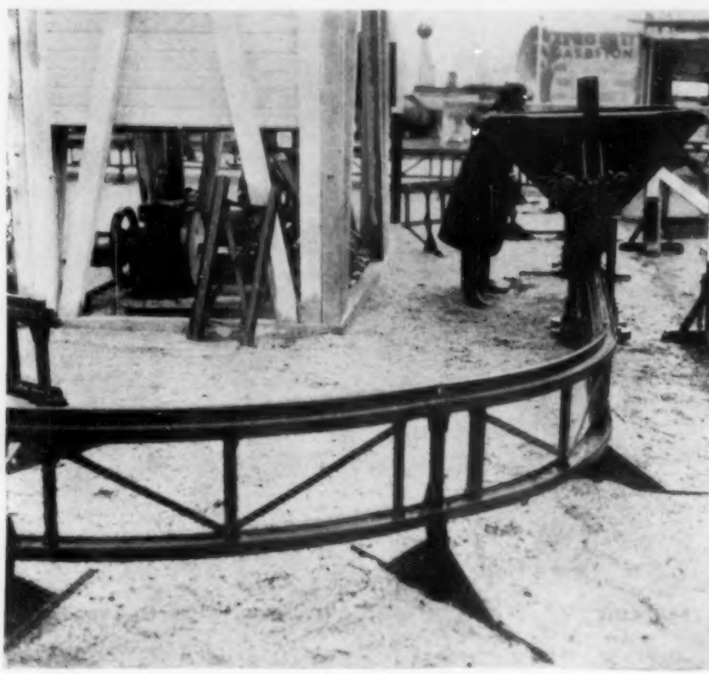
Industry and agriculture are recognized as major activities by a constitutional provision for an industrial and agricultural vice-president. Each state is represented on the executive board by a state vice-president.

Special Committees

Special committees are created to deal with the problems of seven major activities: agriculture, industry, transportation, power, banking, community development, recreation. Provision is made for sub-committees to deal with various related subjects.

Each state will be represented on all operating committees. A budget was adopted with each member state contributing in proportion to its population. Frank Page, banker of Raleigh, N. C., was elected president; W. P. Anderson, manufacturer of Macon, Ga., industrial vice-president; and David R. Coker of Hartsville, S. C., agricultural vice-president.

Preliminary plans were made for a Southeastern economic conference to be held at Savannah, Ga., in October.


Keystone

WHEELBARROW ON A RAIL—*Exhibited at the German building show was this portable monorail system for the transportation of materials on the job. It replaces the older plank and wheelbarrow method*

Machinery Merger Expects Saving Equal to Deficit

FORMATION of the Dodge-Foote Corp., a $10-million consolidation of Foote Brothers Gear & Machine Co. and Dodge Manufacturing Co., will go far to help stabilize an industry which has suffered severely during recent years. The combination, already approved by directors of both concerns and now being voted upon by stockholders, will be one of the world's largest units engaged in the manufacture of machinery for the transmission of power.

The products of the 2 companies (1930 combined sales, $4.7 millions) are largely non-competitive but are sold to the same general class of customer and through similar channels. Savings amounting to $1 million annually—close to their combined 1930 deficit—are expected from elimination of duplicating facilities.

Merger Arguments

Current conditions have made managements of both concerns eager to conclude the merger. Foote Brothers made a net profit of $612,000 in 1929, lost $772,000 in 1930. It has paid no dividends since October, 1930, owes some $800,000 to banks. Dodge has paid no preferred dividends since 1924, has a charge of $56 a share accumulated against it; has paid no common dividends since 1922; made a net income of $3,515 in 1929, lost $479,000 last year.

Empire Steel Could Not Stand Strain of Low-Cost Competition

Strike was just a last straw and workers have now taken a wage cut voluntarily

FIRST financial casualty of the long decline in steel sheets is the friendly receivership of the Empire Steel Co. of Mansfield, O., and other places. Empire is a group of Ohio sheet mills of various ages and capacities, but heavily specialized in the automobile industry. Only the Mansfield plant makes its own sheet bars, the rest are non-integrated, and the competition with the new continuous automatic sheet and wide strip equipment has been difficult. In a trade in which the average mill engagement has not been over 50% for more than a year it became almost impossible for old-fashioned plants to keep going at all.

New Union Asks Cut

Empire is the company which recently lost a strike in Mansfield following a second wage cut. The employees had accepted a 10% reduction but balked at another one of 5%. The company yielded on the second cut, but after it defaulted its bills a few days later the employees' new company union suggested to the management a new cut of 5%. The receiver accepted this "demand" as a vote of confidence. The company has wage agreements soon to expire with the Amalgamated Association of Iron, Steel & Tin Workers at its plants in the Mahoning Valley. Empire is the fourth steel company with mills in Ohio which has made wage reductions. A voluntary pay cut introduces an element new to the widespread understanding on the maintenance of scales in the steel industry.

The 7 Davey Brothers

The Mansfield company was built up by the 7 Davey brothers, who had bought it in 1914 with their pooled savings of $35,000. The Daveys had been brought from Wales by their mother in 1889, and in the course of the years one or another of them had worked in practically every steel mill between Johnstown, Pa., and Chicago. William H. Davey, senior of the 7 and long their president, had been fired from one of the mills he later took over in the consolidation. Old Mrs. Davey remained the counsellor of her 7 vigorous sons from the time they bought it at Mansfield until they had built it into a $10-million business. Long after they had become well-to-do they used to take their turns in the rolling mill just to keep their hands in. Most of the Mansfield work was for Detroit, a good deal of it for Ford.

The 1928 consolidation brought into the group several men of long experience in the Middle Western sheet industry, among them the Thomases of Youngstown and Jacob D. Waddell of Niles, who had chosen to operate their own concerns rather than hold portfolios in one of the 2 big Youngstown independents into which most of the mills of the valley were gravitating. When Pickands, Mather of Cleveland purchased the Davey stock in 1930 these individualists were joined by another, Paul Llewellyn of Chicago, who had been president of Interstate before C. S. Eaton took it into his grander Republic Steel Corp. After 1930 several of the Daveys, steel men still, bought a little sheet company in Canton, O.

The Pickands, Mather reorganization failed to stave off a default in the company's obligations. An effort to induce stockholders to put in more money was unsuccessful this spring. Heavy obligations overhung the company when the employees were walking out. A federal receivership was granted, with the president, C. H. Henkel, Mansfield attorney, as receiver. Plants in Mansfield, Niles, and Cleveland continue in operation, mostly on automobile orders which they are able to take at prices some of the bigger mills cannot meet.

Steel Is Trimming Away Its Obsolete Plants

STEEL executives see the Empire Steel Co.'s fate awaiting others in the industry unless prices are stabilized at higher levels, unless production economies are instituted by companies not possessing continuous mill facilities. Michigan Steel Corp. expended a large

The Business Week

SO THIS IS ISA MINES—*In Queensland, Australia, is Mining Trust's Mount Isa, the newest—perhaps the biggest—of the world's lead mines. American capital is represented by American Smelting & Refining's reported 20% interest, and agreement to furnish technical service. Production has just started at the rate of 2,000 tons a month, to be increased to 5,000 tons by October. Some 1,100 men are employed, the mine has its own town, with store, club, mess houses, dormitories and cottages. The Queensland government is very much interested in the project, built 54 miles of railroad to connect the development with the outside world*

sum the past year for modernizing its plant, adding to capacity, reducing operating expenses with new equipment. It chose this method instead of building a continuous mill. It is estimated sheet prices in some grades, are now $6 to $8 below cost of production.

Trend toward elimination of obsolete plants is indicated by action of American Sheet & Tin Plate Co. (U. S. Steel subsidiary) in closing 4 specialty plants at Chester, W. Va., Dover, O., Scottsdale, Pa., and Morgantown, W. Va., concentrating production at Gary, Ind., where a mill of the continuous type is in operation.

Another sheet steel producer, Newton Steel Co., has concentrated all manufacture at its new Monroe, Mich., mill, abandoning its obsolete mill at Newton Falls, O. The latter may be converted into a tin plate plant if finances can be obtained. Dredging of the mouth of the Raisin River has been completed so that the Monroe mill can secure sheet bars for rolling from Chicago or Cleveland by water and can ship finished sheets as return cargo.

In the Midst of Wage Wars, Some Companies Are at Peace

THE ominous monotone of wage warfare continues, broken here and there by fraternizing employers and employees who do more than is expected of them.

Henry Callahan has just received the 1931 Newman Memorial Award for the work his Louisville Varnish Co. has done to solve unemployment. For several years the company has set aside 6% of invested capital and has split the remainder of profits 50-50 between stockholders and employees. Result: virtually no labor turnover, a waiting list of employees.

Help for Employers

This week, members of the International Alliance of Theatrical Stage Employees and Motion Picture Machine Operators signed away $450,000 when they voted to take a 5%-7½% pay cut. Some 9,000 men in nearly 600 locals all over the country will contribute about $5 weekly for 10 weeks to help operators of picture houses through the summer slump in a slump year.

Union electricians employed by Illinois Bell Telephone Co. have refused, "in view of the business depression," to accept a 25¢ a day increase to which they are entitled under the union's contract with the company. The Reliable Parlor Furniture Co., Minneapolis, has signed an agreement with the Upholsterers Union calling for a 5-day, 40-hour week and a 10% increase in wages.

At their recent convention in Houston, Texas, the Brotherhood of Railway Trainmen voted to limit the daywork of members in order to give employment to the 10,000 idle trainmen. Working hours in yard service will be limited to 26 days or 200 hours per month; in freight service to 3,500 miles or its equivalent and in passenger service to 5,500 miles.

The Amalgamated Association of Iron, Steel and Tin Workers and the Western Sheet & Tinplate Manufacturers Association completed an agreement a few days ago calling for maintenance of pre-depression wages.

Such examples are cheering exceptions. The main battle continues. Industrial war correspondence: Indianapolis building tradesmen won a 15-day strike against a proposed 20% cut from the 1930 scale. Union construction workers in Albany, N. Y., won a strike for their present 75¢-an-hour wage against contractors' proposals of a cut to 60¢. Under a strike threat, officials of the St. Louis Railway Co. have finally accepted arbitration of their 10% wage cut set for June 1.

More Strikes

Other bulletins from the front: In Mishawaka, Ind., 2,400 employees of Mishawaka Rubber & Woolen Mfg. Co. are on strike. Two Minneapolis glove manufacturers are closed down following an attempt to cut wages. Dry cleaners in the same city are striking against reductions. Employees of Duluth, Minn., baking plants have walked out to fight a 10% cut.

In Portland, Ore., an arbitration board has approved a 7½% cut for employees of the Pacific Northwest Public Service Co., and the city council immediately passed a resolution of protest. Officials of the cigar makers' union have refused to approve a 10% cut sought by Chicago cigar manufacturers. *Engineering News-Record* reports more construction strikes following wage cuts in Greenwich, Conn., and Houston, Texas. In New

York 3,000 pocketbook workers are striking against a 25% cut.

For the month ending Apr. 15 the Bureau of Labor Statistics reports that 195 manufacturing concerns in 47 industries have cut wages of 22,500 workers an average of 10%. Of the small group of 13,000 plants reporting these data to the bureau so far this year, over 1,000 have cut wages of nearly 150,000 persons.

Labor leaders are particularly concerned over the action of Remington Arms Co. and Remington Cash Register Co., both of Ilion, N. Y., and both directed by Saunders Norvell. Labor's agitation is based on the charge that Mr. Norvell was a member of the Hoover conference on unemployment in the fall of 1929 at which industrialists were supposed to have pledged themselves against wage cuts. Apparently, the Remington action is the first time a leader actually present at that conference has publicly proclaimed a direct wage reduction.

Employment Figures Focus Attention on Next Winter

IMPROVEMENT in employment conditions is painfully slow. American Federation of Labor reports show less than 200,000 jobs added during May. The January-May increase in union employment was only 2.7% against 4.6% in 1929. Federation President William Green doubts that more than 1½ million jobless have been put back to work since the first of the year, leaving some 5 millions still dependent on charity.

If Winter Comes—

After looking at present conditions, people are beginning to look ahead to next winter. Employment normally rises rather sharply to May, then more slowly to a midsummer peak, then drops off, except for a short fall bulge, to a winter low. But most unemployed workers' reserves are already totally depleted and the demand upon public agencies has been constantly increasing, is likely to continue to do so until definite gains in employment are made.

During March, latest month reported, charity organizations spent over $11 millions in direct aid to nearly 450,000 families, not counting large sums spent in making work. Budgets of most of these organizations are already overdrawn and the possibility of another winter of widespread unemployment has them worried about ways and means of providing funds to carry on their work.

THE FINGER OF QUALITY KEEPS ON POINTING TO

PIERCE ARROW

Today's modern and modish Pierce-Arrow brings the one heritage that can serve to guide the buyer who thinks of a motor car only in terms of the finest . . . This is the heritage of quality —continuous, unbroken, through the years, and as virile and vivid in this year of 1931 as when first conceived in the mind

of the man who built the first Pierce-Arrow . . . Always, Pierce-Arrow's aim is to reflect the finest tastes of the fine-car family; faithfully and intelligently to observe, and to serve, the quiet trends of preference among the first families of the nation . . . Thousands of such families think of Pierce-Arrow with the same respect which they accord to the intimate treasures of their lives. This is a trust which Pierce-Arrow would not violate for millions . . . The past year and the present year are interesting proof of how closely Pierce-Arrow is woven into the business and social life of America . . . Sales go on steadily. Always they are made under the same advantageous conditions, always with mutual confidence, always with the same result—a permanent addition to the exacting demands of the society of Pierce-Arrow owners . . . It is probable that finer motor car values have never been offered than in the new Pierce-Arrows. They are beautiful things physically and mechanically. They do everything a fine car should do, and they do it superbly, with comfort and security.

The new Pierce-Arrows are attractively pictured and described in several beautiful booklets, including one on special custom models by LeBaron. These are obtainable from the Pierce-Arrow dealer, or by mail from the Pierce-Arrow Motor Car Company, Buffalo.

Three new groups—all with Free Wheeling: At $2685 and up; at $3450 and up; at $4275 and up. (Special custom-built models up to $10,000). All prices f.o.b. Buffalo.

East Texas Pool Gushes Trouble All Over the Oil Industry

By-products: price war, appeal for special session of Congress, split on import agreements

THE petroleum industry's efforts toward stabilization are meeting many obstacles. The East Texas situation still gives most trouble; has demoralized the entire Mid-Continent price structure, is threatening further curtailment of oil imports, has seriously undermined proration programs, has brought out some rather fantastic ideas for its solution.

Among favorable events was the recent passage by the California legislature of oil regulatory bills which set up a commission with drastic power to prevent waste of oil. "Waste" is liberally interpreted to include underground waste, waste through careless or improper drilling or operation of wells, waste resulting from production in excess of market demands.

Legal Rocks Ahead

The new laws, conforming to recommendations of the Oil States Advisory Committee for uniform legislation, face the same kind of legal battle which scuttled the gas conservation law enacted a few years ago; opponents have already begun their attack. A similar bill was caught in the closing jam of the Texas legislature, but Governor Sterling indicates that a special session may be called this summer to pass it.

Latest sensation in East Texas was the withdrawal of all posted prices by leading oil buyers so that, for the first time in oil history, a major producing field is without a posted price schedule. Events leading up to this came in swift succession.

Swift Moving History

After a few weeks of unorganized business following the early development of the East Texas pool, 5 major Mid-Continent producers, Gulf, Humble, Magnolia, Texas, and Sinclair, entered the market with prices identical with those prevailing throughout the Mid-Continent field.

Despite these firm offers vast quantities of East Texas oil were sold at drastically cut prices so that, in retaliation or for their own protection—depending upon the observer's prejudices—the 5 majors cut their East Texas prices 30¢ a barrel. Before the excitement from this cut had died down it was extended throughout the Mid-Continent field on the theory that East Texas oil now sets prices for the field. The final step, taken a few days ago, was the withdrawal of posted schedules from the new pool.

Average Price 30c.

Naturally this series of events has aroused intense interest and great opposition. Independent producers, particularly outside East Texas, protest the general price cuts; they have appealed to President Hoover to call a special session of Congress to investigate this "unmerited reduction" which they charge to an "oil trust," violating with impunity the laws governing monopoly, price fixing, and restraint of trade. With the average price of oil now 30¢ a barrel—lowest since 1906 and far below the production cost for all but the most prolific wells—the concern of the smaller producers is well warranted.

Just to add interest, oil importers who agreed to limit their imports a few months ago now threaten to abrogate their limitation agreements. They say that they agreed on condition that domestic output be likewise curtailed; that utter failure of proration in East Texas relieves them of their obligations; that the only way they can compete with the distress and bankrupt oil of this field is by more extended use of their cheap foreign production.

The Penn Plan

A unique proposal for solution of the East Texas problem has been made by R. R. Penn, vice-president in charge of production of the American Petroleum Institute and an independent Texas producer. He suggests the formation of a giant corporation for the unit development and operation of East Texas similar to that formed to operate Kettleman Hills in California. Observers grant that in theory the plan is sound; if possible to put in operation it would quickly solve many problems not only of East Texas but of the entire industry. But the difficulties, still not overcome, of attempting to apply moderate curtailment of production to East Texas producers cast doubt on the feasibility of the Penn plan.

The latest prescription for the industry has been written by Mark Requa,

head of a committee appointed to survey California oil conditions. He advises modification of anti-trust laws to permit actions obviously in the public interest and the creation of an advisory council to make effective such reforms as the anti-trust laws will permit. Reduction of the number of filling stations, firm control over them, and rigorous maintenance of prices were other suggestions made by Mr. Requa's committee.

Standard-Vacuum Merger No Sweeping Precedent

FAILURE of the government to appeal from the U. S. District Court's decree permitting the merger of Standard Oil Co. of New York and Vacuum Oil Co. has led many commentators to believe it marks the dropping of official barriers against all such mergers.

More astute observers point out that the decision concerned only the particular merger proposed, that any action other defendants in the 1911 dissolution case may take will be decided on its own merits. The court accepted the evidence that the proposed merger was a matter of good business only, not an attempt to monopolize trade or to impose unreasonable restraint upon interstate commerce. It was shown that there was little competition between the 2 concerns; that their merger would have small effect upon general competitive conditions in the industry.

Only where precisely similar conditions hold may other former members of the Standard Oil trust expect the government to approve their merging.

Consummation of the Standard-Vacuum merger is likely to be considerably delayed. In February, 1930, when first announcement of the merger was made, Standard stock sold at about \$32 and Vacuum at about \$90. Now Standard stock sells at about \$15 and Vacuum, after a sudden jump following the government's announcement, is listed at about \$35. This change in ratio of stock market valuations calls for fresh negotiations.

Want Wheat Bounty For Canadians Only

OTTAWA (*Special Correspondence*)—Canadian owners of Great Lakes vessels are demanding that the 5¢ a bushel government subvention toward transportation costs of export wheat be limited to wheat carried in Canadian boats.

The Tariff Commission Breaks a Record

THOUGH the flexible tariff clause has not proved very effective in readjusting rates, the reorganized Tariff Commission under Henry P. Fletcher has worked faster than the old commission.

In less than a year (June 18, 1930, to May 26, 1931), the commission has submitted 13 reports to the President, covering 19 commodities.

Changes in Rates

On 7 commodities the duty has been reduced (maple sugar, wood flour, men's sewed straw hats, edible gelatine, pigskin leather, and wool felt hats and hat bodies). On 3 products the duty has been increased (woven wire fencing, woven wire netting, and fourdrinier wire). Mr. Hoover refused to approve the commission's recommendations for lower duties on 4 items (canned tomatoes, tomato paste, and cherries, sulphured or in brine), and the commission itself recommended no change in the rate on 6 items (ultramarine blue, wool floor coverings, pipes, pipe bowls, cigar and cigarette holders and mouthpieces).

Under the old act, covering a period of 8 years, only 50 cases were reported on by the Tariff Commission. Rate increases numbered 33, decreases 4, no change 13.

To date, applications for reductions in tariff duties outnumber requests for increases more than 2 to 1. Lower duties have been sought on 75 commodities and higher duties on 34 commodities in applications received by the commission from "the trade," as distinct from 21 congressional resolutions requesting investigations. The commission's statement does not disclose, however, how many of the applications for a decrease in duties were received from domestic manufacturers and how many from importers or foreign producers.

Wants Horizontal Cut

The proposal advanced at the recent National Foreign Trade convention by Peter Fletcher, president of the National Council of American Importers & Traders, that Congress pass a horizontal downward revision in our tariff to the extent of 25% on all ad valorem rates and 50% on all specific rates, has been indorsed by the importers' organization. The American Tariff League brands this as "about the most absurd and inane tariff revision suggestion which has thus far been advanced, unless, of course, it be considered from the importers' standpoint."

George F. Baker, Jr., Must Pick A New Director for U. S. Steel

As his first public decision, financiers interestedly watch a son choosing his father's successor

It will in all probability be on the last Tuesday afternoon in June, and it will certainly be well after the close of the stock market; or it may possibly not be until the same reticent hour on the last Tuesday of July, dividend day and perhaps a memorable one; but it must be one or the other.

Then, for the very first time in his life of 53 years and of his business career of 32, one of the three or four richest men in the world will arrive at a decision of great public import which every man will be forced to admit was personally his. It will be his bow before the larger and the more curious world. For on one of those late afternoons there must be announced from the greatest of directors' meetings the name of the man who has been selected by an unknown son to carry on the heritage of his illustrious father.

Acme

George F. Baker, Jr.—*His photographs are scarce; this one was enlarged from a group. Fuzzy as it is, it shows the Baker ancestry*

Between now and then George Fisher Baker must decide, if he has not already decided, who is to take, on its finance committee of nine, the place of the last of the great founders of the United States Steel Corp. The little typewritten announcement line that will be handed to the hall-full of reporters on the seventeenth floor of 71 Broadway will mark the end of the first great generation.

Other Successions

As he rests aboard his yachts this summer, whether it be on ocean-going *Viking*, the lesser-engined *Little Viking*, or under the fair sails of *Ventura* in the Sound, Mr. Baker must also decide about successors to 25 other directorates inherited, in addition to Steel, Consolidated Gas, New York Central, and the chairmanship of First National Bank which he has assumed for himself.

There will be many problems, but Steel is the most interesting of them because of the peculiar government of Steel. It has at its apex a sort of supreme court of 9 members that is known as the finance committee. It was Judge Gary's theory that there must be an uneven number, and 9 came to him as in the tradition of the highest sort of tribunal. But tenure is not for life, despite the great difficulty of getting elected to this body.

Specifications

Although it is little known, there was once a gentleman who was dropped from it, and arbitrarily so, and others have resigned under atmospheric conditions that were not perfect. To be a member at all one must be, excepting, of course, the chairman, one of four things: (1) a very great banker, whose financial advice is worth something; (2) one of the executive officers of the corporation, of whom there are only 9; (3) a very great lawyer, who knows his steel law particularly well; or (4) an extremely trusted neutral, who is also, naturally, an important stockholder.

This scheme of things has been clung to religiously and it prevails today. The chairman, now as before, is a higher outsider, not a steel man, not a banker, not an outstanding stockholder, as mammoth stockholders go. Myron C. Taylor is a lawyer, essentially, as was Judge Gary, and incidentally an organizer of industrial financing, just as his great predecessor was incidentally a promoter, in the highest sense, of industrial financing on the grand scale. But in the high categories of the Street he is a Baker man and not a Morgan man, as Gary was in his origin. And he is chairman of the finance committee, not of the corporation's board of directors, whereas Gary was both. Mr. Morgan himself is board chairman.

Other Committeemen

As for the other finance committeemen: (1) Of great bankers there have been four, Mr. Morgan and his most eminent partner, Thomas William Lamont; Mr. Baker, Sr., and his son.

(2) Of executive officers proper of the corporation there are only two, President James A. Farrell and Comptroller William J. Filbert.

To the run of business men who think of a comptroller as a sort of super-auditor it may seem odd that in the case of the greatest company in the world an accounting executive should have a rank in the inner sanctum beyond that of any operating man, with the single exception of the president himself. But Steel Corp. men, and bankers too, are frank to admit that Mr. Filbert, from the very earliest beginning with Judge Gary out in Chicago, has shown such a remarkable personal genius for explaining figures into policies that his place on the committee may simply be put down to his indispensable talent.

An Indispensable

No ordinary comptroller, say they, could make the grade with the Morgans and the Bakers and the Garys and the Taylors, but so long as Mr. Filbert is less than 70 years old—the new deadline of age in Steel—the others simply cannot get along without him. A far greater Raskob, boast Steel men of him, citing the only other professional accountant who has gone very far indeed.

(3) The lawyer is ex-Governor Nathan L. Miller, who might technically be called an executive officer because he enjoys a retainer as general counsel. His chief professional interest, however, lies in an outside practice, with the firm of Hornblower, Miller, Miller & Garrison. Chairman Taylor, also, has outside interests of his own and maintains separate offices.

(4) The trusted neutral, and ninth member, as it were, is Percival Roberts, Jr., of Narberth, Pa., a Pennsylvania

Railroad director who has been heavily interested in Steel since the early days and who still remains on the committee. Beyond his personal friendships with the older school of financiers little is known about Mr. Roberts, except that he is neither a Morgan man nor a Baker man and that he has never been a management man in the company. He is simply his own man.

No Interviews

It would be easier to guess who will succeed Baker, Sr., if anybody knew anything about Baker, Jr. But there are literally not a dozen men in Wall Street, outside his own banking house, who have more than a passing impression of him, although he sits on 19 boards, although he yachts a lot and golfs a little, although he has been going about for 32 years.

Mr. Baker is a very quiet man, just as his father was a very silent one. The pater once gave an interview of 114 words on silence. It was his only utterance, for the other one, of 16 words, about "some slight improvement along sound lines," was uttered from the tail of a train by Edward E. Loomis, who opined to the reporters that Mr. Baker would consent or assent to it. But he neither consented nor assented.

No reporter has ever got to the present Mr. Baker. It would not do any good if he did, for Mr. Baker could have dinner with a whole room full of news-hawks without one of them suspecting for a moment who he was. His talk gives him away as little as his looks. He is so modest that he is almost absent. He is so democratic that he is almost commonplace. In other words, he is a lot like his father, only younger.

Three Bankers

People have a way of forgetting that the United States has so far had only three bankers of genius who left gigantic fortunes, whereas in older countries most of the colossally rich men are of this trade. The great Vanderbilt, Astor, Gould, not one was a banker. Harriman, Rockefeller, Ford, even Mellon—to include some of the living—not one is a proper professional banker. Our three very rich bankers have been Russell Sage, Pierpont Morgan, and George F. Baker.

Sage left a hundred-odd millions but no son to show whether his career of being the perfect old-fashioned usurer was hereditary. The Morgans seem to be unique. But the Bakers may turn out to be "unique," too, one day, and they are as different from the Morgans as Hapsburgs were from Bourbons. The difference between these two

lines of genius can be observed in their very physiques. The Morgans have been and are large, heavily-boned, heavily-muscled, vigorous men with loud clear voices, rather brusque manners, rather violent gestures, and with the habit of instantaneous decision.

The Bakers and the Morgans

The Bakers, father and son, represent a far more delicate type. The father was the image of the Emperor Franz Joseph, tallish, slenderish until great age, of tender health and eternal life, graceful, timid, kindly. The son is his father without the foliage, a dainty skull, gentle features, subtle hands, and unproclaiming feet. The pinch-nose glasses which he never quits mask his natural handsomeness. There is no imaginable gusto or bluster about him, whereas there is a great deal, and of a charming variety, about the actual Morgan.

Otherwise said, the Morgans are leaders, promoters, fighters, extravagant spenders, great squires and lords in the old English tradition. They are battle men.

The Bakers, on the contrary, are discerners, investors in the best ground-floor propositions, wise men, modest livers, sweet, gentle men with the atmosphere of the library fireside about them. The sort of breed of men so well known in very old civilizations who sit by and get rich while the athletes of business do all the sweating.

The Baker Reputation

In the Street the actual Baker is reputed to be all that his father wanted him to be and hoped he would some day become—to wit—the perfect, intelligent, scrutinizing investor, sage and sane amid the vociferating and the fisticuffing of affairs. It is scarcely to be expected that he will set about starting something grand style, for that is the best known way for a rich man to lose something out of what he has. He will undoubtedly keep on buying cheap and holding, or selling high, if at all.

The only thing he has ever taken a loss on yet was his Stock Exchange seat, between a high day in 1900 and a low one in 1915, and it was for a trifling sum and certainly not his fault, nor foreseeable by any man.

As he ripens his wisdom will doubtless become proverbial, like that of his father. A new generation of Morgans from down street, young Junius or young Harry—whichever one the genius is—may one day tell another Morgan son when going on a journey: "If anything happens, if you get into trouble, ask Baker. He will know what to do."

Canada Studies New Tax Plans and Discovers Unsuspected Kinks

OTTAWA (*Special Correspondence*)—Certain taxation provisions of the Bennett budget legislation will have more far-reaching effect than at first supposed. One of them is the 2% tax on dividends of Canadian companies payable to non-residents. This is not, it develops, confined to investments in Canadian enterprise, but applies also to investments in companies having Canadian incorporation whose fields of operation are outside Canada.

Canadian company laws and Canadian justice have drawn many such companies here for incorporation. Brazilian Traction, Mexican Tramways are examples. They are largely owned in the United States and England. None of their capital is spent in this country. Their dividends are now to be taxed 2%, the tax to be deducted by the company at the time of dividend distribution.

Chasing Evaders

Other provisions are designed to combat methods by which companies have evaded income tax on earnings.

A change made in the application of the sales tax has met with strenuous objection from wholesalers and is to be abandoned. Hitherto the tax was levied on manufacturers' prices. The budget legislation provided that it would continue to be so levied when goods were sold direct by manufacturer to retailer, but when sold to a wholesaler the tax would be computed on the latter's prices, which include his profits and handlings costs. Wholesalers protested that this discriminated against them in favor of department and chain stores.

Canadian magazine dealers and American publishers hope to secure an extensive list of exemptions from the 15¢ a pound customs duty on foreign magazines under the provision for free entry of religious, scientific, and educational publications.

May Print in Canada

It is believed the government's intention was to exempt publications of recognized literary worth, where advertising did not form the bulk of contents—as *The Atlantic, Harpers*. Whether it will be stretched to include the *Saturday Evening Post* is another matter.

Some magazines of large circulation contemplate shipping plates here, and printing in Canada on Canadian paper.

Reduction in the tax on large incomes from 49% to 25% has been called "a measure for the relief of millionaires," but the government says the change will bring more of the income of millionaires into the public treasury than the old tax did. Huge amounts of Canadian money went out of Canada to escape the 49% tax. Some rich Canadians gave up Canadian residence for more than half the year for the same purpose.

It is expected much of this money will now return and be employed in Canadian enterprise, along with increased amounts of British capital.

Canada and Australia Build New Preferences

OTTAWA (*Special Correspondence*)—The adjourned Empire Economic Conference, billed for Ottawa in August, is off until the first of next year at the earliest, owing to impending elections in Australia and New Zealand, but progress is being made with improved trade arrangements between Canada and the sister dominions in the antipodes.

A new trade treaty with Australia has been signed at Ottawa and Canberra and will be submitted to both parliaments for sanction. Negotiations are progressing for a separate treaty with New Zealand.

The new Australian treaty grants extensive Canadian tariff preferences on fresh, dried, and canned fruits. The idea is to supplant American importations. Australia expects to supply Canada with raisins. The proposed preference, together with the tariff of $1 a crate, should bring Australian oranges into successful competition with the United States product.

Concessions to Canada are mainly on lumber, paper, canned fish, automobiles, miscellaneous lines of manufactured goods. British Columbia's lumber industry and fisheries will benefit. Larger preferences on automobiles are to be granted.

New Zealand's withdrawal of the British preference from Canadian goods in retaliation for the shutting out of its butter affects less than $15 millions of Canadian trade. Automobiles had been removed from the preference last August. The Ottawa government hopes to negotiate a new treaty, removing the unpleasantness.

Business Abroad—Swift Survey Of the Week's Developments

The stoutest denials from a dozen world capitals fail to hide the fact that business has been in a state of nervous suspension during the reparations discussions at Chequers.... Germany is desperately trying to digest fresh salary cuts, drastic new economies. It is openly avowed that debt adjustment to avoid bankruptcy will be demanded at the coming Berlin conference.... France refuses to acknowledge the need for debt reduction, is concerned with a Soviet trade pact, declining domestic production.... British business is dull. ... Italy is profiting by foreign orders.... Japan has settled wage disputes, is a shade more optimistic.... Stock markets, except in Germany, have reflected Wall Street's new activity. Commodities are still weak. ... A gradual seasonal decline is in prospect.

Chequers Discussions Upset World Business

EUROPEAN NEWS BUREAU (*Radio*)—Industrial and commercial developments are minor this week, being entirely superseded by the current vital financial and political problems.

In north France, the textile strike is nearing the close of the fourth week without any sign of letup. Labor troubles are brewing anew in England, particularly in the wool textile, engineering, and lace curtain industries.

Early grain reports are largely favorable. Italy, Germany, and Poland report conditions above normal. The middle Balkans are affected by rainy weather and insects. Russia is rapidly finishing spring sowing but the area is likely to be only slightly greater than that of a year ago, which means it is not up to the Soviet plan.

Wall St. Effects

European Bourses are limp, but except for Berlin which is going to new lows almost daily and causing nervousness elsewhere are tending upward following the New York rally. Profit-taking tendencies are evident.

The center of European interest is Chequers and the new Berlin conference which is expected to bring Germany's official demand for reparations reduction or for a moratorium. The crucial stage has arrived where Germany is ready to declare itself on the verge of bankruptcy. The move is hastened by the Creditanstalt troubles in Austria, in which German interests were heavy, and the French are forcing a virtual breakdown of the *Anschluss,* which is also a factor in bringing the revision of the Young Plan to a head. Germany points out that the 20% rise in gold value since the signing of the Young Plan, accompanying a constant decline in business, is making the burden unbearable.

Uncle Sam, Bag-holder

All European parties are interested and virtually agreed on the justice of the revision demand, but all look to the United States to bear the entire burden of reduction. France would rather see Germany bankrupt, or all payments stopped by mutual European consent, than agree to any material arms reduction, such is her fear of German militarism.

The publicity given Germany's predicament is causing heavy withdrawals of foreign funds, particularly by the English, while the flight of domestic capital is commencing anew.

The mark continues at the gold export point on important international exchanges, the Reichbank supporting it by selling 150 million marks in foreign exchange last week, and by disposing of $70 millions in gold on deposit in Paris, and $20 millions in gold in London. Further gold export is expected. Gold and exchange reserves of the Reich approximate $2,500,000,000 against legal cover of $2,000,000,000, which is not, however, a safe margin considering the current political and financial turmoil.

The peseta is now resisting further decline but not until it had dipped well under half of par. The Spanish Finance Minister is formulating new control measures for submission to the Cortes which is not yet elected.

French Loan to Spain

Madrid reports that the early departure of the governor of the Bank of Spain for Paris to negotiate a loan with French bankers under French government auspices is confirmed. This recalls to international bankers the substantial loan made in 1918 by the Spaniards to the French. The position now is reversed. The Republicans have not forgotten the treatment by France of political exiles and the French are probably eager to wipe out this resentment.

British Business Dull, Dole Cut Considered

Business is dull.... Stock markets react to better tone in Wall Street. Labor troubles threaten 3 industries. Unemployment commission recommends cut in dole to balance budget.

LONDON (*Cable*)—British business is lagging, though the more cheerful tone in Wall Street is reflected on the stock market this week. Oils were more active, with leading shares higher. Mining stocks were good. But the reaction to Chequers is still felt.

Among the commodities, rubber is most favored, though lead prices have firmed, and it is rumored that a powerful syndicate is being formed to withdraw 30,000 tons of tin from the market in an effort to stabilize the price.

Labor Troubles

Labor troubles again are threatening. Engineering employers have determined to enforce a program of wage cuts on July 6 whether or not the unions consent. The decision of the unions is expected June 17. More than 1 million workers are affected.

In the lace curtain industry a strike is threatening since negotiations for wage reductions have broken down. And in the wool textile industry a proposal to cut wages 14.6% will be resisted by operators.

Of broader labor significance is the proposal of the royal commission on unemployment insurance to reduce benefits and enlarge contributions in an effort to "put the insurance fund on an insurance basis."

Dole Report

The report, which was embarrassingly prompt, has stirred the interest and the ire of business. Two members of the committee (both Laborites) dissented and have issued a separate report. Premier MacDonald has refused to take a definite stand.

It is pointed out in London that the benefits, even after the proposed reductions are made, will still leave families better off than in the years prior to 1930. Labor knows that the unemployed will fight any attempt to cut the dole, but that the taxpaying public will be equally critical if no move is made to provide further relief for national finances.

France Watches Chequers, Ponders Soviet Trade

Business sluggish. . . . Unemployment declines another 4%, but is offset by declining production. . . . Reparations talks and worries over Germany's next moves undermine confidence. . . . New Soviet trade agreement likely.

PARIS (*Radio*)—France is unable to shake off the sluggishness which settled down on business 2 weeks ago. Unemployment has declined another 4%, but no other indicators support any sparks of real optimism. Rail receipts are 13% below last year's corresponding figure. Car loadings, in spite of a hopeful pickup in May, are down again, are lagging 17% behind last year.

Coal Declines

Coal consumption is still declining. Production, imports, and exports are falling off, and ominous stocks are accumulating at the mines. The textile strike in the north is an additional threat to normal consumption.

In line with the general situation abroad, the iron and steel market is upset. Production in May fell below the April level which was the lowest since June, 1927. Declining prices and increasing stocks forecast early production cuts. Activity in the plants is maintained with difficulty in spite of price sacrifices.

All Quiet on the Bourse

In contrast with the recent sporadic activity in financial markets in connection with the loans ot France's allies, present political uncertainty has brought a dead calm. Even the Bourse is sluggish and talk of conversion operations has been side-tracked by the more immediate question of reparations. Outwardly, France has shown only moderate interest in the Chequers conference. Inwardly, there is a deep-rooted conviction that France has made enough concessions to Germany, and there is a not-too-carefully concealed determination to accept no further reduction of the German debt unless the United States will agree proportionately to reduce French obligations. If there is a real worry, it is that France will be isolated if the Americans force the disarmament question as a condition for debt revision, for France is determined that military preparedness is necessary and will bargain only if important concessions are made to her.

Perhaps it is because France is feeling a bit deserted politically that industrialists have found a willing ear in Paris to listen to their appeals for a renewal of trade relations with Moscow. At any rate, Paris is watching with avid interest the negotiations now under way with Soviet officials and the Soviet trade delegation (page 35).

Wide World

TRADE TREATY—*Until the Austro-German customs union comes to pass, Austria continues foreign relations. Here, Gilchrist Stockton (left), U. S. Minister to Austria, and Dr. Johann Schober, Austrian foreign minister, sign and seal a "treaty of friendship, commerce relations and consular rights." The present system of "most-favored nation" clauses would be upset by the proposed Austro-German pact*

Lost Business

France has lost the bulk of a $25 million business since last October when Soviet products were put on a license basis and the Russians stopped orders in retaliation. Huge Soviet orders for Germany this spring, and a new agreement with Italy were enough to stir French business pride. The old French claim to link Soviet accord with the pre-war loan problem has been dropped under the pressure of the depression. France is presumably making headway with the agreement and new business is expected in the next few months.

Germany Waits On Reparations

Business completely dominated by reparations talk and adjustment to the drastic new economy measures. . . . Capital shuns Berlin. . . . Industrial production jeopardized by political uncertainty. . . Agricultural tariff wall shows new rift.

BERLIN (*Cable*)—Business now is completely occupied with the problems of digesting the intricate provisions of the emergency decree and preparing for the readjustment to the new burdens it imposes. The future, with the continuation in Berlin of the Chequers conversations, is scarcely any brighter or any more secure (page 5).

Gold Outward Bound

As usual, political uncertainty has caused heavy withdrawals of foreign short term credits, and is proving (to the grim satisfaction of harried German bankers) that this is the weakest point in German finance, the very thing the country is trying in the new measures to provide against. The flight of Reichsbank gold and foreign bills in the last week came to more than $50 millions.

The uncertainty which surrounds governmental reaction to the reparations question jeopardizes all possible chance for an upturn of industrial production. At present the general pro-

duction index is only 4% above the midwinter low. The agricultural machinery industry is actually working at only 32% of capacity compared with 52% at this time last year.

Coal Sales Up

The only really bright spots in the current outlook is the report that daily coal sales in the Ruhr area in May were 10% above the daily sales in April, and the prospect that the government's program of railroad development for which a part of the new emergency taxation is pledged will bring orders possibly for as much as 60,000 tons a month to the steel industry.

A second large hole is appearing in Germany's formidable agricultural tariff wall. A month ago the first break appeared. Domestic supplies of wheat ran low. It became obvious that they would be exhausted before the new crop could come on the market. Almost reluctantly the government arranged for foreign wheat to enter the market but on a quota basis to allow for no swamping of the market. The duty, which had been skyrocketed to more than 200%, was lowered in the form of a rebate on the quotas entered.

Successful Protection

This week a similar situation has arisen in the rye market. The government's highly "efficient" measures to force enlarged domestic consumption of the country's bumper crop have been successful. Domestic stocks are running low, will not meet the demand until the new crop has matured. Already the government-owned grain trading company has purchased 30,000 tons of the Soviet rye. This lot is part of the very Russian rye which the government 3 months ago prevented from entering Germany by raising the import duty from $36 to $48 a ton. Evidently the rye duty will be lowered now that the crisis for domestic producers is passed, and prime interest is centered in the effort to keep down the cost of living.

Italian Conditions Little Changed

Business steady, but still below normal. . . . Wool, rayon, paper, iron and steel, shipbuilding comparatively most active. . . . Foreign orders benefit shipyards and Fiat factories.

MILAN (*Cable*)—Business in Italy is fluctuating but little. Most favorable are the reports from the wool industry, which is moderately active; rayon, which, because of its cheapness and immediate vogue, as well as the recent agreement to provide 18% of the German market, is picking up; paper mills, which are only fairly active; and the iron and steel, and shipbuilding industries which report a good volume of orders. Also, in contrast to conditions in most other countries, the government has announced that the railways will close the 1930-31 balance sheet with no losses. This, declares the Minister of Communications, is due to no increase in rates, but to carefully planned economies.

Textiles Unfavorable

Less favorable are the reports from the textile industries; silk manufacturers, who report many spindles idle, orders slack, and an uncertain prospect due to price fluctuations which are tending downward; and private building.

This situation of general uneasiness is affecting the stock market. Business is slack, and the market was cheered neither by the announcement of fairly good results of the state-operated railroads, mails, or telegraphs, nor by the unusual success of the domestic loan. The bond market, on the other hand, is somewhat more active and steady.

Foreign Orders

Certain industries are benefiting from foreign orders. Fiat is turning out 2,000 motor trucks for Russia, and motors for the United States, Britain, Norway, Russia, and Persia, besides a new automobile model which has already been introduced in Italy successfully. More than 25 shipyards are now active. Under construction are 3 fishing ships for Russia, and 2 submarines and 2 warships for Portugal. Supplementing the activity in these 2 branches of industry, the country's metallurgical plants have registered a trade pickup.

Latin America Looks Up a Little

Business outlook slightly improved. . . . Brazil exchange strengthens. . . . Nicaragua creates a gasoline tax, may seek a loan.

THE Latin American trend continues featureless. Economic conditions are improving in Argentina, in spite of unsteady exchange fluctuations. The favorable balance of trade for the first 4 months of the year is expected to have increased in May.

Brazil is showing slight improve-

ment. Exchange has been strengthening steadily since May 29. Coffee exports are below normal but stabilization plans are getting under way.

Reports from Colombia and Chile are comparatively favorable. Nicaragua has decreed a tax on gasoline and kerosene, and is expected soon to open negotiations for a loan, service charges on which will be secured by the new tax.

Japan Looks to Russia; Some Textile Recovery

Business is steady.... Silk and cottons are stronger.... Wage questions are settled with an all around cut. ... Russia offers orders if credit is advanced.

JAPANESE business is maintained, with improvement in the cotton textile trade and an appreciable recovery in the price of silk the brightest spots in the outlook. Wage problems are settled with all-around cuts.

Debts of the government at the end of the current fiscal year are expected to total more than $3 billions, have led Finance Minister Inouye to declare that dependence on a new loan to cover the deficit is unwise, that Japan cannot expect to be any exception to world depression and therefore it is better to cut expenditures to a level of income. Bond issues in 1931-32 are estimated at $66 millions, will include $4 millions for the purchase of railways in Korea, another $12½ millions for silk indemnification.

Unemployment

To business was released this week the report of the government labor bureau for February which showed unemployment totaled 387,500, an increase of 15,000 for the month, and 40,000 for the year. Since that time an unexpected increase in cotton spinning activity has absorbed an important number of workers.

Russian business came to the fore when Soviet officials proposed to Moscow to purchase ships, machinery, and other Five-Year Plan necessities amounting to $25 millions on a credit basis, certain mining and fishing rights in Sakhalin Island (north of Japan) being pledged as security. There are other rumors that Russia is bargaining with Tokyo for $150 millions credit for orders in Japan, but business is doubtful if Tokyo officials will consider seriously any proposal for such a vast credit.

Russian Orders Tempt France To Drop License for Liberty

In business, Russia has triumphed over the French. Paris, the only important capital in Europe to ignore and then actually to legislate openly against Soviet business, is turning friendly. A trade delegation from Moscow is in France. A commercial pact is expected.

Last year, astute M. Flandin, Minister of Commerce, listened to a popular appeal noised throughout Europe that Russia be boycotted. Rich, prosperous, powerful, and revengeful over repudiated Czarist debts, France should be the leader. She sold the Soviets only one-third as much as the Soviets sold through Paris. This situation would be remedied. Imports were placed on a license basis in October.

Too Good a Customer

The result is unfortunate, and highly unprofitable. France is now buying 12 times as much from the Soviets as she is selling to them. Monthly Soviet purchases in Paris in October dropped below $1 million, for the first time, with one exception, since January, 1928. For the first 6 months under the license system, Soviet sales to France fell off 14%; French sales to Russia declined 80%.

The Frenchman is too shrewd to let national pride eclipse business judgment. When other countries failed to cooperate in the scheme, when Germany, Italy, and Britain drew large Soviet orders, granted fresh credits, French industrialists saw they were playing a losing game. "We want our orders back," whispered in January, rose to a din in April. The government got busy. Paris, pressed by 150,000 striking textile workers, less prosperous times than when the license system was inaugurated, and in need of certain Soviet products, is bargaining at last for a commercial treaty with Moscow.

The Import Situation

Behind the formalities are some interesting facts. In the first place, France has not fared so badly in the license deal as appears at first glance. Only 15 items were placed on the license basis last October: cereals, sugar, molasses, common woods, flax, pork, poultry, eggs, isinglass, glue, gelatine, oleine, stearine, and acids from the last two. Not included was the largest Soviet export to France, petroleum. Actually, imports of Soviet oil in the first 2 months of 1931 were twice those in 1930.

On timber and wheat imports, both of which are necessary to supplement domestic supply, France watched her own interests. Timber imports under the first 5 months of the license system totaled 128,080 tons; in the corresponding months of the previous year they totaled 125,250 tons. Imports of Russian wheat fell off but still totaled 1,764,000 bushels.

Metals for Sale

Besides oil, wheat, and timber, the principal articles imported by France from Russia include flax, fresh and preserved meats, mining products, vegetables, coal, and skins. To the Soviets, the French sell aluminum, nickel, and copper (by far the largest items), machinery for the electrical, textile, and chemical industries, wool, airplanes, and automobiles. There has been absolutely no government export credit guarantee, and banks are not interested in aiding exporters. Generally, credit terms, if and when granted, are short. The tendency of the French has been to deal in cash against documents. Because, all along, the balance of payments between France and the Soviets is in favor of the latter, no anxiety has been felt so far as French sales to Russia are concerned, for it is understood that should the Soviets fail to pay for their purchases, payment of money due to them by the French for their purchases from Russia will be stopped by the French government.

The Politics of It

There are politics behind the present move. Russia is growing as a factor in the European balance of power. Italo-Soviet relations and the growing relations between Germany and Russia have worried the French. To win Russian support in a non-aggression pact, France will be willing to sacrifice certain points in commercial policy. Russia, in turn, if the gains are worth it, may be inclined to adhere to French policy in Europe. Especially is this true since Russia is scarcely more desirous of war now than France. The results of the present negotiations may, therefore, be expected to have both strong political and commercial significance.

German Machine Tools Give Best Show at Moscow

IMPORTANT in American sales to the Russians are machine tools. Stalingrad, Nizni-Novgorod, Rostov, Cheliabinsk are largely equipped with American products. But for several years the Germans have had an edge on the American makers in the Soviet market. Sometimes this has been due to price differences, more often to the fact that the German producers have the backing of government export credits and can give the Soviets longer terms.

This week there comes from Moscow the report of the opening of the third annual special exhibition of machinery for the heavy industries, and German machine manufacturers are said to be showing 90% of the 500 machines in the exhibit. There are only 14 American exhibitors, 4 British, and one Austrian. Grinders, milling machinery, and lathes are the principal exhibits.

One of the first American visitors to the fair in Moscow criticizes the displays of American firms. No manufacturer sent blue prints with his exhibit and only one display was accompanied by advertising matter, while the Germans have elaborate displays of machine products, attractive advertising folders, complete blue prints.

Quota Battle Threatens World Nitrate Cartel

THE world nitrate cartel may not survive its first year. In preliminary meetings in April, the 70 delegates from the 9 countries producing synthetic nitrates in Europe failed to agree on a new quota basis. This week, their committee of 10 is in session making a final effort.

Last year, the original quotas were based on 70% of 1929 production, and Germany, Britain, and Norway held the largest quotas. Because of the severity of the world depression, it has been found that quotas are still too large.

No negotiations for a world accord are possible until these 9 European synthetic producers are agreed. But if they agree, and Chile enters the conference as the outstanding natural producer, final accord will involve the fixing of prices. In these discussions Chile, united in the powerful "Cosach," will be in a far stronger position this year.

In neither of these negotiations is the American market primarily concerned for it is not included in the European synthetic producers quota nor is it affected by the world accord.

The Figures of the Week And What They Mean

Only minor fluctuations have characterized business activity in the past few weeks. . . . Our index has deviated little from a level of about 79% of normal. During the first week of June, the *Business Week* index of general activity stood at 78.5% of normal against a revised figure of 78% at the close of May and 91.3% a year ago. . . . A sharp rise in the volume of check payments, particularly in the West, was offset by the failure of electric power production to resume the pre-holiday level. The drop in carloadings was due to the observance of Decoration Day. . . . Currency circulation continues upward, while steel production is settling into a summer lull. . . . May department store sales were disappointing, declining 6% from the April daily average.

A CONTINUED slackening in demand from the automobile centers is held responsible for the further decline in the operating rate of the steel industry to 39% of capacity against 41% the preceding week of June 1. Automobile sales in May indicated some contraction blamed by some on the adverse sentiment created by the declining stock market.

Steel Production Off

The official release on May steel ingot tonnage indicates an 8% decline in production in May as compared with April, a decrease somewhat sharper than in recent years, except 1924. .The May tonnage of 2,505,485 tons against 2,722,479 tons in April represents a rate of 45% of capacity against 49% the preceding month. Compared with December, 1930, however, the output is nearly 27% greater.

The report on unfilled orders of the U. S. Steel Corp. at the close of May disclosed a drop of 277,277 tons, which was less than expected in most quarters on the basis of past experience. Though operations of the Steel Corp. were steadily declining, new buying dropped off more rapidly than production. Shipments were increasing as specifications followed closely upon orders, indicating the low level of inventories in the hands of consumers.

During the past week, demand from other sources than the automobile industry has been fairly constant. Tin plate production is the most active of the finished steel products and production is expected to compare favorably with 1930, which fell only 8½% from the 1929 peak. Pipe line production has been improving, as has foreign inquiry for tubular products. Fabricated steel awards of the week totaled 48,000 tons which is above the average, while new projects requiring only 11,000 tons were the smallest of the year.

Strike Possibilities

Some concern is expressed over the possible influence of the bituminous coal strike in western Pennsylvania, which at present has little significance. The *Iron Age* points out that it was in this same region 9 years ago that a similar strike caused a rise in the price of coke pig iron and finished steel at the turning point of the last depression.

Data on building construction during

	Latest Week	Preceding Week	Year Ago	Average 1926-1930
THE BUSINESS WEEK INDEX OF GENERAL ACTIVITY	*78.5	†78.0	91.3	......
Production				
Steel Ingot Operation (% of capacity)	39	41	70	80
Building contracts (F. W. Dodge, 4-week daily average in thousands)	....	$12,253	$18,035	$22,046
Bituminous Coal (daily average, 1,000 tons)	*1,197	†1,105	1,406	1,467
Electric Power (millions K.W.H.)	1,562	1,565	1,641	1,485
Trade				
Total Carloadings (daily average, 1,000 cars)	129	126	156	168
Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars)	87	87	101	106
Check Payments (outside N. Y. City, millions)	$4,615	$4,090	$4,911	$5,102
Money in Circulation (daily average, millions)	$4,694	$4,669	$4,509	$4,736
Prices (Average for the Week)				
Wheat (No. 2, hard winter, Kansas City, bu.)	$.73	$.73	$1.01	$1.30
Cotton (middling, New York, lb.)	$.085	$.086	$.155	$.182
Iron and Steel (STEEL composite, ton)	$31.03	$31.03	$33.52	$36.09
Copper (electrolytic, f.o.b. refinery, lb.)	$.080	$.081	$.126	$.142
All Commodities (Fisher's Index, 1926 = 100)	70.0	70.3	87.6	95.0
Finance				
Total Federal Reserve Credit Outstanding (daily average, millions)	$933	$899	$1,021	$1,230
Loans, Investments, Federal Reserve reporting member banks (millions)	$22,537	$22,598	$22,957	$21,450
Commercial Loans, Federal Reserve reporting member banks (millions)	$7,863	$7,885	$8,441	$8,715
Security Loans, Federal Reserve reporting member banks (millions)	$6,867	$6,928	$8,598	$6,958
Brokers' Loans, N.Y.Federal Reserve reporting member banks (millions)	$1,490	$1,539	$3,998	$3,860
Stock prices (average 100 stocks, Herald-Tribune)	$117.24	$114.66	$170.37	$151.05
Bond Prices (Dow, Jones, average 40 bonds)	$94.43	$94.28	$95.29	$95.89
Interest Rates—Call Loans (daily average, renewal)	1.5%	1.5%	3.0%	4.9%
Interest Rates—Prime Commercial Paper (4-6 months)	2-2¼%	2-2¼%	3½-3¾%	4.5%
Business Failures (Dun, number)	454	528	485	369

*Preliminary †Revised

the first week of June are not yet available, so that an estimate has been made of this item for inclusion in the general index. In past years the F. W. Dodge figures have shown considerable variations for June as compared with May, ranging from a slight decline to a sharp increase. A year ago, an exceptionally heavy volume of public works was awarded as a result of the intensive effort of the government to stimulate activity.

Contract statistics for the month of May are now released, indicating a 9% decline from April and a 33% drop from a year ago. But when account is taken of the number of days in the month, the decline from April is only 5½% and from a year ago 30%.

Residential Construction

Residential construction on a daily basis fell off but 3.6% from April and 21% from a year ago. In three districts, including the New England states, up-state New York and metropolitan New York, May showed an increase in residential construction compared with April. Non-residential awards rose 4.2% over the April daily average, while public works and utilities declined nearly 15%. Compared with May, 1930, on a daily basis, non-residential contracts declined over 40% while public works and utilities dropped over 25%.

Bituminous coal production for the week of May 30 showed a slight decline attributable to the Decoration Day holiday observed in some mines. The daily average output increased sharply, moving our index upward to 65% of normal compared with 61% the preceding week.

The failure of the production of electric power to rise to the pre-holiday level was somewhat unexpected and contrary to the usual seasonal trend. Consequently our adjusted index dropped more sharply than customary reaching a level of 84% of normal compared with 88% the preceding week of May 30.

Carloadings

Carloadings were also affected by the holiday, with every class of freight showing losses from the preceding week except ore loadings. When account is taken of this holiday, the daily average of all loadings shows considerable improvement, while the daily average of miscellaneous and less-than-carlot freight showed no change. Our adjusted index based on these two groups also remained unchanged at 76% of normal.

The volume of check payments showed a sharp increase during the week of June 3, particularly in New York City and 9 other large financial centers. The St. Louis and Minneapolis districts also reported a greatly increased volume of check payments. Wage, trade, and dividend payments probably accounted for the increase, as the market activity of the period was negligible. Our adjusted index of debits of the 140 cities outside of New York rose sharply from 86% of normal to 89%.

Currency circulation increased in the week following the holiday and hovers close to the volume outstanding in May, 1929. Our adjusted index rose slightly to 114% of normal against 113% during the week of May 30.

Commodity prices showed little change during the week. Our weighted cash price of wheat continues steady at 73¢ a bushel. The wheat markets reported slight losses during the week, even though the government report on winter wheat was a bullish factor. A decline of 3 million bushels from the May 1 report was greater than expected by the trade and by private estimators. Spring wheat prospects, affected by the lack of rain, were the lowest ever reported on a June 1. Wheat exports for the first week of June rose from 599,000 bushels to over 4 million.

The Index

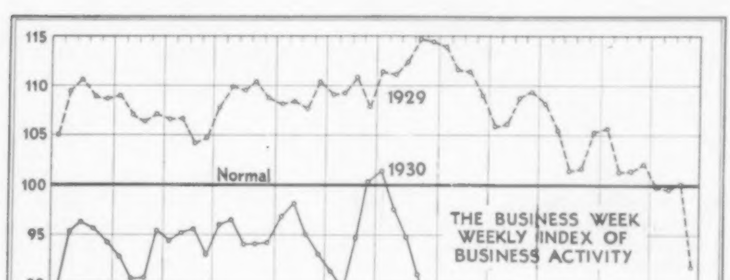
The weekly index of general business activity, first of its kind, is compiled by *The Business Week* from 8 series of weekly figures —steel mill operations, building contracts, bituminous coal production, electric power output, non-bulk carloadings, check payments outside New York, commercial loans of reporting Federal Reserve member banks, and currency in circulation. It shows the current level of the average daily physical volume of business as compared with the normal for the season and the year. Normal, represented by 100, is what the current volume of general business activity should be if the usual seasonal changes and year-to-year growth had occurred. For further explanation see *The Business Week*, May 7, 1930, p. 39.

Cotton and Wool

Cotton prices declined further in the week of June 9. In spite of the fact that spot cotton is the lowest with one exception in 25 years, spinners are confining their purchases to near term needs. The Farm Board holds some 1.3 million bales for better prices and the American Cotton Cooperative Association also holds an additional 2 million bales. Exports continue to approach last year's level. The wool trade is more optimistic since a firmer stand is being taken by dealers against pressure for lower prices.

Scrap steel prices at Pittsburgh are again lower, but *Steel's* composite price index remains unchanged. Copper sold at 8¼¢ delivered to domestic consumers this week, an improvement over the preceding week. Lead was steady, while zinc advanced on report of a sharp contraction in output. Platinum quotations were advanced from $27.50 an ounce to $40, believed due to a better understanding among leading producers in marketing the precious metal. Tin rose on rumors that the London group plans to withdraw surplus tonnage from the market.

Commercial loans again declined slightly during the week of June 3, but our adjusted index remains unchanged at 112% of normal.



Trends of the Markets In Money, Stocks, Bonds

Chicago bank troubles had interesting effects on money, but national money market troubles were avoided, thanks to the Federal Reserve.... Wall Street feels better, but doesn't know certainly which way to go.... Bonds rise sharply as pressure is lifted.

Reserve Holds Down Effect Of Chicago Bank Changes

SPECTACULAR increases in money in circulation and big credit shifts in Chicago resulting from the banking upset there featured monetary moves of the week. Another example was afforded of the stabilizing value of the Federal Reserve system.

With over a score of Chicago banks closing in 3 days alarmed depositors drew large amounts of cash from their accounts. Money circulation rose $50 millions for the country, nearly all in the Chicago area.

Millions in Cash

Leading Loop banks alone lost $37 millions in deposits. On Wednesday they were carrying $19 millions more cash in their tills than a week earlier, just in case. They called about $20 millions from the call loan market in New York City to meet the demands made upon them. Other banks in the area were having the same experiences.

For demands they couldn't meet themselves they turned to the Federal Reserve banks, increasing their borrowings by $4 millions. The Reserve bank helped out by buying some acceptances and government securities and providing funds in that way. The increase in circulation was accounted for by Federal Reserve notes.

Nationally, credit conditions were little changed, though some important shifts occurred. Gold stocks increased $10 millions, mostly due to imports from Latin America, sending the total above $4,800 millions for the first time in history. Credit was also made more plentiful by a $49-million decrease in brokers' loans. Despite rising prices during the week covered by the report, the stock market required less financing because of the margin reductions put into effect last week. Banks in New York reduced their loans on securities to customers in addition to the call loan drop.

Increases in credit from gold and the call market were offset by the $50-million increase in money in circulation occasioned by Chicago, and by a reduction of $9 millions in Federal Reserve credit outstanding, the drop in other areas offsetting the Chicago rise. The Reserve system was inactive so far as policy was concerned.

Money Rates Unchanged

No open market rate changes occurred within the week, and the open markets for money were rather dull. The additional large-scale Treasury operations this year, predicted heretofore, will occur in December. Secretary Mellon has called for payment and refunding of $1 billion of notes in another step to reduce the short-term debt to manageable proportions.

Mark exchange declined drastically in the week as alarmed bankers and investors throughout the world pulled money out of Germany. The mark went so low that it was cheaper to ship gold than to buy foreign currencies, and this was done.

Stock Market Weighs Week's 4 News Breaks

THE irregularity of this week's stock prices reflects the uncertainty in the mind of Wall Street. But the market is generally more cheerful as it always is when a long price decline has ended. The bull and the bear can each put up a good argument for his side but neither is sufficiently convinced by it to operate aggressively. Both are waiting to see which way the worm will turn.

At least 4 fundamental factors which helped force down stocks in recent months now are out in the open. It is still anyone's guess as to whether they will turn favorable.

(1) The Chicago bank situation "broke" with a bang this week. Obviously, business there will be hurt, though to what extent is not measurable. With the débâcle over, the situation now can mend. Thus the net influence appears to be favorable, assuming, as seems permissible, that there is nothing more to come out.

(2) More of the difficulties of the

real estate situation are dragged further out into the open by the Chicago case and by an I.B.A. report that about 60% of the holders of the total $10 billions of real estate bonds are likely to lose some of their investment. Conditions are more critical outside than inside New York. Unfortunately, the market can't find positive assurance that the situation is on the mend, though presumably remedial measures are being pushed aggressively.

The Railroad Bid

(3) Railroads are now out fighting for their lives, much to Wall Street's relief. As yet there is no assurance of their success. Some new dividend cuts and omissions came this week.

(4) Germany's problems now are before the world. The immediate effect is unfavorable, yet the news only confirms fears of many months. The outcome is unpredictable.

These are some of the threats that have been overhanging the market in recent months, causing concern as to corporate profits within the predictable future. Clarification of the problems involved will be helpful.

Relief of Pressure Brings Sharp Rise in Bonds

BONDS turned sharply upward in all divisions this week. This statement is also roughly true of the various classes by ratings. With the relief of pressure from a declining stock market and the gloom it generated, the oversold position of many issues brought a rally. And once the depressing influence was mitigated easy money had a chance to boost the bonds susceptible to its influence.

Rails hesitated in the rise, still uncertain of their revenue outlook. Utilities, already high in price and low in yield, have little distance to rise to equal current money rates. The benefit accruing to industrials was limited to earnings.

Characterized by wider swings than the remainder of the list, the foreign issues again lived up to tradition. Relief from short selling helped. Strength in the weak Brazilians was important. The country apparently is taking heroic measures, probably in accord with Sir Otto Niemeyer's recommendations, but the situation is shrouded in mystery. Australian issues also were better, and scattering gains occurred elsewhere.

German Repercussions

The German securities were notable for their weakness, on further alarms as to the Reich's troubles. However, the action of the securities showed that most investors already realized the acuteness of the situation, and changes were fairly small.

Underwriters did small business again, the total of new issues being around $40 millions. Aside from the $30 million Province of Ontario issues, new issues were negligible. The market is not yet in a condition such as to absorb many.

Wide Reading

Business Defeatism and Economic Recovery. Glenn Frank. *Management Review*, June. Will the leadership of industry prove as capable in producing civilized consumers as it has proved itself capable in producing consumable commodities?

The Passing of King Wheat. Wheeler McMillen. *Outlook*, June 10. Some farmers are diversifying—and their profits are mounting. Maryland is now raising more wheat than Minnesota. Why we have a wheat surplus and had a Farm Board.

The American Engineer at Work. Walter A. Rukeyser. *Nation*, June 10. The fifth of a particularly practical series of articles by an American engineer after 2 years' experience in Russia. Helpful to engineers and technicians who are contracting for work in Russia.

Big Business and Banditry. Jesse Rainsford Sprague. *The New Republic*, June 10. Straight-from-the-shoulder indictment of high-powered salesmanship.

Nine Advertising Points for the Big Chief. Ray Dickinson. *Printer's Ink*, June 4. What portions of the advertising policy should receive attention from the company president?

Opportunities in Business and the Professions for this Year's College Graduates. *North American Review*, June. Symposium, including statements by Carl Ackerman, J. A. L. Waddell, Silas H. Strawn, Samuel W. Reyburn, James G. Harbord, Alfred P. Sloan, Roy S. Durstine.

Sales Districts in Poland. *Commerce Reports*, June 8. The 6 sales areas into which this market of 30 millions divides itself have different laws pertaining to installment sales and repossessions.

Development of Aviation in Japan. Eisaburo Kusano. *Far Eastern Review* (Shanghai), April. Review of air services as they are now operating in Japan.

The Expanding Decade. *Fortune*, June. Scientific and industrial developments which will change our mode of living.

BOOKS

The Art of Learning. Walter B. Pitkin. McGraw-Hill, 409 pp., \$2.50. The new necessity and the new methods for self-training in the modern art of learning.

Twenty-Five Hand-Picked, Low-Priced, Speculative Stocks. J. George Frederick. Business Bourse, 172 pp., \$4.50. The 25 stocks, their justification, and their place in their industry.

The Problem of Unemployment. Paul H. Douglas and Aaron Director. Macmillan, 505 pp., \$3.50. Based on the experiences of the present depression, this thoroughgoing analysis of the basic causes of unemployment, its effects upon the business and social life of the country, possible preventives and cures, was prepared as the first item in the Swarthmore Unemployment Study.

Ford Men and Methods. Edwin P. Norwood. Doubleday, Doran, 201 pp., \$2. Story of the Ford organization with emphasis not on the machines but on the workers.

JAMES W. DUBLIN, Rtd.

Hey! Hey! for the Hired Hands

IN the rôle of patron saint of corporate management Mr. Charles M. Schwab puts on a good drama. He is a man who believes what he believes—and he is not afraid to believe it right out in public. That he enjoys rewarding Mr. Grace and other Bethlehem boys with magnificent bonuses he makes very clear and he does not hesitate to display hearty pleasure in defending such goings on.

Some of the stockholders and some of our publicists—and probably a bulk of our citizenry, also—do not agree with Mr. Schwab. They seem to suspect that the arrangement may be too clubby, too much of this here "it's always fair weather when good fellows get together with a bonus on the table, etc."

Mr. Schwab says the payments made to employees are not gratuities but compensation for services rendered. And this sounds reasonable to me. I have never known a time in the history of my country when money wasn't highly regarded—so highly regarded that no one let go of it unless there was something coming back.

Furthermore, Mr. Schwab put a large slab of his personal fortune into Bethlehem. In its earlier days he indorsed every note it issued; purchased one-third of every bond issue; and came across with some large personal loans as needed. It seems likely that this continual blue-chipping inclined him to keep an eye on the hired help and gather some idea of their values.

* * *

And the boys had a sizable chore in their hands. Bethlehem common then was considered to contain a large gallonage of H_2O and the purchase of the stock more of an aquatic sport than an investment. In 1913 and '14 it was selling around $30. Somebody had to dry up this lagoon by pouring real assets into it. Mr. Schwab says that his Bethlehem boys assisted considerably.

There was no muttering about Mr. Grace's bonus in 1915 when Bethlehem was a prima donna war stock perched at $600 per share and workers in munitions were discovering that stores sold candy-stripe silk shirts. Nor in this period of magnified mazuma just passed, when everybody said, "To hell with dividends, give us 50 more points."

It is these days of midget money that have given Mr. Schwab *et al.* and their bonus belief a bad break. Mr. Grace's annual cut sticks out now like a $5 bill in a church offertory.

Whether Mr. Grace was worth what he got or is worth what he gets is a matter of idle speculation. For one reason that the bigger a man is the less you can itemize his value. And for another reason that the principle involved is of much greater importance than the president of Bethlehem's drag-down or even the man himself.

Lovingly and lustily, Mr. Schwab dwells upon the necessity of incentive. That something to reach for which gives a tingle to the ductless glands and creates an onward and upward emotion about the day's labors. That something which bestows not only pieces of silver but rank, thus urging the individual to bear down on his own bean and overcome his heritage of sloth and stupidity.

* * *

What the human race needs at the present moment, it seems to me, is more of this incentive stuff—not less. One of our troubles clearly reveals itself as a lack of administrative minds. The modern world has multiplied and complicated its affairs faster than it has procreated the directive personalities to order its destinies. Biology and business appear to be out of step.

Corporate industry acknowledges this truth privately by a continual gumshoeing around for executive Babe Ruths. It confesses that the heart and lungs and gizzard and the get-up and go of corporate enterprise is management—the individual initiative of men. Somehow or other, we never do get around the question of men in this all too human world. Nor do corporations ever entirely evade the problem of making themselves attractive to management. We can hardly expect the sensitive and competent executive to operate a half-billion dollar proposition knowing that someone is humming "Just a Gigolo" behind his back.

So, in the heat of conflicting opinion and questions now assailing Mr. Schwab, another question is incubated. Who is going to love the corporation?

Do the lawyers love it? They put it together on paper, call it a nice specimen, and go away and leave it.

Do the stockholders love it? They buy and sell in and out of it or even sell it short.

Do the bankers love it? Off and on—it all depends.

Who but management loves the corporation? Who but management opens up the corporation in the morning and reads all the bad mail and thinks up the good answers? Who but management in the future will create the *new* management to discharge the new social obligations of business?

If we desire to maintain an individualistic and competitive society (and I've seen no panting impulse to give New York a name like New Moscow) then we must assume one risk. This risk is that some guys will make more money than other guys.

J.W.D.

Letters

Unequivocal

Wichita, Kansas

To the Editor:

This is to congratulate you upon the article in your June 3 issue headed, "World Wheat Conference Failed Beyond Camouflage." There is nothing equivocal in your condemnation of the London wheat conference and your words are in contrast to the attitude of the national Chamber of Commerce toward the Farm Board.

In my opinion, no single act ever passed by Congress and signed by the President was more monstrous in its waste of public money, eloquent of the ignorance of our public men concerning the basic principles of political economy, and mischievous in its general results, without an atom of beneficent effect to justify it in any way, than the appropriation of $500,000,000 of the people's money for the avowed purpose of increasing the cost of living, so far as wheat is concerned, to our entire population in order to give artificial advantage to one industry.

It is hard to understand why there is not more general condemnation of this political crime. This one act, together with the passage of the present tariff law in opposition to the advice of over one thousand American economists and something like 90% of American newspapers, illustrates lamentable ignorance of economic law at the very fountain head of government.

It would seem that the high office of the President is treated very much like that of the king "who can do no wrong." This is written not with partisan prejudice, I believe, but as an American citizen who is thoroughly outraged by the criminal stupidity of the administration at Washington.

I have talked with dozens of farmers and in every single case the Farm Relief Act is regarded as a joke that has simply resulted in an immense waste of money without good benefit to anyone. One of these days let us hope there will be a new brand of statesmen, who will abide by the eternal principles of political economy based on the law of supply and demand and other natural laws and with no special privileges to be granted to any class or section of the country.

HENRY WARE ALLEN.

THE BUSINESS WEEK

The Journal of Business News and Interpretation

June 17, 1931

The Right Track

IT may seem surprising and strange, especially to people who believe that low prices are a panacea for depression, that the railroads in recent weeks have suddenly gotten up steam and started off in the opposite direction by preparing to ask the Interstate Commerce Commission for increases in rates. We think they have taken the right track, and trust that the government signalmen will give them a clear road and a speedy run.

One encouraging thing about the decision is that it indicates a disposition among the railroad executives to restore, not merely their rates, but the aggressive initiative and capacity for concerted action among them, the lack of which has led to the present situation. There has been too much conflict among the yardmasters and brakemen and engineers as to where the train was to go and who was to get aboard.

Quarrels over consolidation questions have crippled their energy and delayed cooperation in attacking the crucial problems which this depression and the development of competing forms of transportation have put to them, and to the country.

The railroads, as the permanent basis of transportation service essential to our economic security, are too important to the public to permit them to deteriorate under either external conditions beyond their control or internal weaknesses and disorganization due to excessive individualism.

It is unfortunate that the roads asked the commission to take the initiative, even as a formality, and we are glad it refused. This is the time for the roads to put their case to the public, candidly, courageously, and cooperatively. They have a case; and they are more sure of sympathetic consideration for it than ever before.

A more important reason for approving their decision is that it is not merely expedient but in accord with sound economic considerations. In moving to increase the price of their product rather than to cut wage scales, they are following the constructive track taken by Mr. Farrell recently and even by one banker of insight, Mr. Pierson, who have recognized that the crux of recovery now lies in concerted action to check further deflation of commodity prices. A similar successful effort to raise railroad rates in 1921 was an important factor in restoring confidence.

It is true that the roads have their own rivalries largely to blame for the steady whittling down of rates since that time; but they have done their utmost to offset this chronic anemia of rate-cutting by economies in operation without wage cuts. They might possibly do more if some of the wasteful racketeering restrictions of union rules were removed in return for a maintenance of the wage scale, and if some of the limitations on managerial freedom enforced by the commission were relaxed.

But whether or not these things could be accomplished in the course of time, time has already abundantly demonstrated that low rates are no more likely to stimulate traffic and solve the railroad problem than low prices are likely to expand consumption and solve the problem of profits for business and employment for labor. Quality and service are paramount in transportation as elsewhere, and steady employment and sustained purchasing power are more important to labor than price levels.

We hope, therefore, that business men and shippers will not take a short-sighted view of this effort to contribute to the strengthening of the price structure, and that special or local self-interest will not attempt to sidetrack or wreck it.

The bankruptcy of the railroads, or the alternative demoralization of railroad labor relations through a struggle over wages, would have far more serious consequences for the recovery of business than an increase in transportation costs.

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